

DEA – Digital Entrepreneurship Awakening: From new vulnerabilities to
economic empowerment of women in Serbia

The Gender Thread of Digital Entrepreneurship:

Guidelines for the economic empowerment of women in the knowledge-based economy*

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I. INTRODUCTION

I.1 Description of the problem

The rapid development of new technologies and the internet has resulted in changes to labour, employment, and entrepreneurship, with increasing numbers of men and women engaged in digital labour (also termed ‘freelancing’). Numerous studies and analyses have shown that Serbia leads the world by the number of freelancers, both per capita and as a proportion of the total workforce.¹ Published in 2018, the Public Policy Research Centre’s initial survey² of the demographic and socio-economic profiles of Serbian digital workers revealed that men outnumber women on digital platforms. Men were dominant in high-income sectors, such as the creative industry and information and communication technology (ICT). By contrast, women were over-represented in office administration services, data entry, writing, and translation – all of these being less well paid online jobs. This has raised the issue of the potential dividend of these new forms of work and doing business when viewed from a gender perspective in the Serbian context.

Digital labour allows flexibility and is often seen as an opportunity to secure the inclusion of a segment of the labour force affected by structural employment issues, as these individuals are able to create added value, especially in middle-income countries such as Serbia. Nevertheless, the global dimension of digital labour also entails threats, including social dumping and discrimination (on grounds of gender, ethnicity, and nationality); finally, the fact that this work is not visible in the national economy hinders or restricts access to social protection services.

This policy brief looks at the existing gender gap in the digital domain by analysing the key factors that define the working and entrepreneurship environments for men and women active on digital platforms. These are: motivation for working in the digital economy, personal development, entrepreneurial spirit, legal status, income, business environment, and access to finance.

¹ See analyticshelp.io/blog/global-internet-freelance-market-overview-2018/, cdn.techjuice.pk/wp-content/uploads/2019/08/Index-freelance.pdf, Kuek, S. C., Paradi-Guilford, C., Fayomi, T., Imaizumi, S., Ipeirotis, P. (2015). The global opportunity in online outsourcing. Available online at documents.worldbank.org/curated/en/138371468000900555/The-global-opportunity-in-online-outsourcing.

² Anđelković, B., Šapić, J., Skočajić, M. (2019). Gig ekonomija u Srbiji: Ko su digitalni radnici i radnice iz Srbije i zašto rade na globalnim platformama? Available online at publicpolicy.rs/documents/bdf69e7eff3a6b0eb7766aa24a4db6d79bae8c2c.pdf [in Serbian].

We devote particular attention to recommendations for addressing the legal status of women digital freelancers and finding ways for them to become successful entrepreneurs in Serbia. We also propose policies aimed at bridging the gender gap in the use of ICT, sustainable economic empowerment of women, and the economic development of society.

1.2 Basic concepts and methodological approach

‘Mass’ digital labour is remote work via online platforms where the employer need not be, and indeed is not, registered in the same country as the worker. Such labour is characterised by the performance of a number of discrete tasks (‘gigs’), with no suggestion of long-term employment.³

The emerging practice of digital entrepreneurship entails the creation of a digital product or service and may be put to use to modernise particular business operations within a firm or corporation or take place through start-ups.⁴ Moreover, digital entrepreneurship also extends to work facilitated by digital labour platforms, a particularly important consideration for Serbia.

In producing this report, the Public Policy Research Centre has focused on concepts relevant for freelancers and digital entrepreneurship, such as human capital and online engagement. The study targeted male and female respondents with identical or relatively similar educational attainments and literacy levels who use online platforms as an established outlet for digital work and entrepreneurship, and the research framework took into account the following dimensions: (i) motivation for working on online platforms; (ii) personal growth and skills development; (iii) entrepreneurial spirit in the digital space; (iv) sectors of the digital economy and income; and (v) business environment and access to finance.

The methodology entailed both qualitative and quantitative research methods, including the use of open data available on online platforms (so-called ‘platform scraping’), an online survey, and in-depth interviews. The research also included an analysis of the relevant literature, including publicly available economic and gender equality policies. Platform scraping was used on five digital platforms: Freelancer (932), Guru (60), Engoo (196),

³ Graham, M., Hjorth, I., Lehdonvirta, V. (2017). Digital labour and development: impacts of global digital labour platforms and the gig economy on worker livelihoods. Transfer: European Review of Labour and Research. 23 (2) 135-162. Available online at bit.ly/2NqZoSg.

⁴ Welsum, D. (2016). Sharing is caring? Not quite. Some observations about ‘the sharing economy’. World Development Report 2016 -Digital Dividends (Background Paper102963). World Bank Group.

Truelancer (22), and Partimerz (2), to obtain the demographics of both male and female digital workers. The online survey aimed at fleshing out the data captured in the first stage of the research and examining the key dimensions of entrepreneurship. The survey involved 128 respondents, of which 59.4 percent were women. Finally, 15 female participants of various ages were interviewed to add detail to the information collected in the survey and obtain additional insights into entrepreneurship from a gender perspective, as well as to allow comparison and validation of the groups of data previously captured through the survey. The research was performed in stages from November 2018 to May 2019.

Additional information about the needs of women digital entrepreneurs was collected in three-day training and mentoring activities with 80 prospective unregistered and registered women digital entrepreneurs performed by the Association of Businesswomen in Belgrade from 4 to 6 March 2019, Novi Sad from 13 to 15 March 2019, and Niš from 17 to 19 April 2019, as well as at other times during the course of the project.

2. INSTITUTIONAL AND LEGAL FRAMEWORK

The Serbian Government has enacted various laws, strategies, and policies that govern self-employment and entrepreneurship. Key amongst these are the Law on Employment and Unemployment Insurance,⁵ Labour Law,⁶ Personal Income Tax Law,⁷ Corporations Law,⁸ and legislation governing social rights pursuant to employment contracts. These laws either do not expressly recognise freelancer status, or, insofar as they provide for lump-sum taxation of sole traders, fail to appropriately address the needs of digital workers. The institutional framework that regulates and seeks to enhance the position of women in business is a fairly complex arrangement comprised of the Ministry of Economy, Ministry of Labour, Employment, Veterans' and Social Affairs, and Ministry of Finance; the increasing importance of building a knowledge-based economy and fostering digital literacy have

⁵ *Official Gazette of the Republic of Serbia*, Nos. 36/2009, 88/2010, 38/2015, 113/2017, and 113/2017 – Other Law.

⁶ *Official Gazette of the Republic of Serbia*, Nos. 24/2005, 61/2005, 54/2009, 32/2013, 75/2014, 13/2017 – Constitutional Court Ruling, 113/2017, and 95/2018 – Authentic Interpretation.

⁷ *Official Gazette of the Republic of Serbia*, Nos. 24/2001, 80/2002, 80/2002 – Other Law, 135/2004, 62/2006, 65/2006 – Correction, 31/2009, 44/2009, 18/2010, 50/2011, 91/2011 – Constitutional Court Ruling, 7/2012 – Adjusted Amounts, 93/2012, 114/2012 – Constitutional Court Ruling, 8/2013 – Adjusted Amounts, 47/2013, 48/2013 – Correction, 108/2013, 6/2014 – Adjusted Amounts, 57/2014, 68/2014 – Other Law, 5/2015 – Adjusted Amounts, 112/2015, 5/2016 – Adjusted Amounts, 7/2017 – Adjusted Amounts, 113/2017, 7/2018 – Adjusted Amounts, 95/2018, and 4/2019 – Adjusted Amounts.

⁸ *Official Gazette of the Republic of Serbia*, Nos. 36/2011, 99/2011, 83/2014 – Other Law, 5/2015, 44/2018, and 95/2018.

prompted the involvement of the Ministry of Education, Science, and Technological Development and the Ministry of Trade, Tourism and Telecommunications. The Office of the Minister without Portfolio responsible for innovation and technological development is also active in promoting women's innovative entrepreneurship.⁹ The Republic of Serbia Development Fund also supports women's entrepreneurship;¹⁰ the National Employment Service (NES) offers training in entrepreneurship, subsidises self-employment, provides mentoring, and grants subsidies for job creation; the Serbian Chamber of Commerce also extends incentives. Women entrepreneurs are able to access affordable loans from Unicredit Bank and Banca Intesa thanks to the support of the European Bank for Reconstruction and Development (EBRD), whilst OTP Bank (formerly Societe Generale) offers a sophisticated package aimed at both women and men freelancers/sole traders subject to lump-sum taxation. An examination of the key strategies results in the impression that women's entrepreneurship is seen more as a means of securing gender equality in economic participation than as an instrument designed to foster economic growth (Babović, 2014).¹¹ The significance of female entrepreneurship is explicitly highlighted in the 2011-2020 National Employment Strategy¹² and both iterations of the National Strategy for Improving the Position of Women and Promoting Gender Equality (2009-2015¹³ and 2016-2020¹⁴), with the latest version also focusing on the significance of ICT in closing the gender gap. The Small and Medium-Sized Enterprises Strategy, 2015-2020, acknowledges that barriers to entrepreneurship affect both genders, but in many cases have a particularly detrimental impact on women entrepreneurs, who are constrained by limited ownership of registered property, choice of industry, gender-based discrimination and stereotypes, underdeveloped childcare system, difficulties in balancing duties in the family, private life, and work, and different perceptions of entrepreneurship amongst women and men.¹⁵

Even though distinct parts of Serbia's legislative framework do recognise the significance of

⁹ Office of the Minister without Portfolio responsible for innovation and technological development, 2018. See inovacije.gov.rs/programi/program-podrske-razvoju-i-promociji-zenskog-inovacionog-preduzetnistva [in Serbian].

¹⁰ Ministry of Economy, 2019. Available online at fondzarazvoj.gov.rs/download/STWQKJ2_Uredba_Start_Up-2019.pdf [in Serbian].

¹¹ Babović, D. M. (2012). Polazna studija o preduzetništvu žena u Srbiji. Beograd: Program Ujedinjenih Nacija za razvoj.

¹² *Official Gazette of the Republic of Serbia*, No. 37/2011.

¹³ *Official Gazette of the Republic of Serbia*, No. 15/2009.

¹⁴ *Official Gazette of the Republic of Serbia*, No. 4/2016.

¹⁵ UN Women in partnership with NALED, (2019). Reviewing Development Agency of Serbia data on programs and measures and analysing the effects and gender impact. Available online at eca.unwomen.org/en/digital-library/publications/2019/09/reviewing-development-agency-of-serbia-data-on-programs-and-measures-the-effects-and-gender-impact.

digitalisation and entrepreneurship for promoting growth, no instrument has to date focused specifically on digital entrepreneurship.

3. FINDINGS

3.1 Motivation: Platform work

A detailed review of the data reveals that embarking on platform work, and subsequently becoming an entrepreneur, constitutes an attempt at overcoming the constraints of the traditional labour market. In this context, the key motives cited by respondents for being active on digital platforms are the ability to work flexibly, being paid well, and being able to earn additional income. In addition, all respondents highly value the opportunity to improve their existing skills and acquire new ones. A significant goal of platform work for nearly one-half of all men surveyed is starting their own business; this is also a key consideration for nearly 40 percent of women respondents.

It is therefore important to note that the motives for addressing the shortcomings of the traditional labour market are not primarily economic in nature, but are connected with finding greater opportunities for professional development and accessing a more dignified working environment, factors particularly emphasised by the female interviewees. Women actively seek out entrepreneurial possibilities in the digital environment, which reveals that ‘entrepreneurship of opportunity’ is their characteristic trait. This finding is significant as it challenges the results of past research into gender-based aspects of offline entrepreneurship.

3.2 Personal growth and skills development

Having the relevant knowledge and skills allows both men and women to find platform work as well as to gain and improve skills, an opportunity they claim the traditional labour market denies them. Moreover, platforms permit these individuals to offer skills not in demand in the offline economy. There are gender-based differences in pursuing professional development: women tend to attend courses, whilst men are more likely to read technical literature. This approach to human capital development matches the demands of the global labour market in both the traditional and the digital environments, characterised as they are by rapid changes to the supply of and demand for skills.

3.3 Entrepreneurial spirit

Our sample was made up of people who are already entrepreneurially minded, as borne out

by one of the most commonly cited reasons for embarking on platform work: 43.8 percent of those surveyed reported doing platform work was a prelude to the hoped-for opening of their own businesses. Risk-taking and proactiveness, both crucial entrepreneurial traits, are also present in this group to a large degree, regardless of whether the respondents had opted for becoming sole traders who pay lump-sum tax, starting their own company, or remaining formally unregistered. From a gender perspective, men and women are nearly equally inclined to take risks if their reason for starting platform work is to start their own business. By contrast, income was not the primary motivation for officially registered entrepreneurs, who tended to focus more on the ability to formalise their status and be able to enjoy the rights it confers (as reported by 73 percent of men and 50 percent of women).

3.4 Options for formal registration

The findings show that digital entrepreneurs struggle with formalising their status in the current legal environment, even though entrepreneurship is life choice for many of them. Nevertheless, more than one-half of those polled (61 percent) are not registered as sole traders in Serbia, but rather choose to pay taxes and social contributions as natural persons or remain invisible to the system. When they do resolve to seek formal registration, both men and women most commonly opt for the status of sole traders subject to lump-sum taxation, with a negligibly low number setting up companies.

From a gender standpoint, more than one-half of all men register as sole traders, as opposed to only one-third of all women. Only one man reported paying his taxes and contributions as a natural person, and all other respondents who claimed to do so were women. The findings suggest that men were more likely to seek formal registration due to the nature of their digital work, commonly in the ICT sector, where men outnumber women. Whilst for men the key motivation for registering as sole traders was the wish to formalise their status and increase their income by growing their business, women were motivated less by opportunities to make a profit than by the ability to obtain social and health insurance and gain job security.

3.5 Income

The average gross monthly income for all respondents was 66,878 dinars, or approximately 560 euros; the men in the sample earned on average three times as much as the women. The ICT sector offered the highest earnings, but also revealed the greatest income inequality between men and women.

Men whose businesses are not formally registered earn twice as much as women in the same

position; male sole traders subject to lump-sum taxation earn three times more than women sole traders, indicating a major income gap for digital work for both registered and unregistered workers. The women lump-sum taxpayers from our sample were indifferent when asked about the performance of their businesses, in contrast to the men, who were in the main highly enthusiastic about the results they are able to achieve.

Income from platform work tends to increase with the respondent's experience and length of time spent on the platform. Nevertheless, income inequality is still present: regardless of their experience with platform work, men earn two to three times more than women. Interestingly, in-depth interviews suggest that women do not regard being underpaid as a product of gender discrimination, meaning that answers about the reasons for this discrepancy ought to be sought elsewhere.

3.6 Business environment and access to finance

The growth of digital entrepreneurship depends on a multitude of reasons, including legislation in force in the territory where the entrepreneur resides. As we have seen, Serbian regulations are not sufficiently adapted to respond to new forms of work and entrepreneurship. Both men and women who took part in our research claimed that underdeveloped tax incentives, unclear regulations, and shortcomings of the current lump-sum taxation system were the chief obstacles to platform work. That being said, the respondents also underscored their own lack of entrepreneurial knowledge and skills. The findings apply equally to formally registered sole traders subject to lump-sum taxation and to those who have not yet officially registered their businesses but are considering doing so.

Turning to access to finance, nearly one-half of the men we surveyed see the inability to take out loans as an obstacle to growing their businesses. Women, by contrast, focus less on the inability to borrow, but rather view the unpredictability of work as the key challenge to the growth of their platform engagement.

The above results correspond to the findings of in-depth interviews. Even though sole traders subject to lump-sum taxation cite issues with the tax system as hurdles to business growth, the women respondents also highlight financial issues, relationships with banks, lack of information, and ambiguities with financial transactions.

3.7 Findings of workshops and mentoring

An examination of the data collected during training sessions offered to 80 prospective, unregistered, and registered female digital entrepreneurs bears out the findings of the survey

and in-depth interviews. The participants were highly motivated for starting their own businesses, but also insufficiently acquainted with the types of corporate structures and the differences between them. The mentees require more training in how to write business plans and manage their finances, and highly value learning through business case studies; in this they differ little from women starting out in traditional entrepreneurship. The participants' motivation to formalise their businesses was affected the most by specific real-life cases that help them better understand the strengths and weaknesses of formal registration.

4. DISCUSSION OF THE FINDINGS

This study performed by the Public Policy Research Centre captured a hitherto little recognised entrepreneurial trait, the desire to improve one's business skills and gain knowledge and competences, which is particularly characteristic of the women from our sample.

For both men and women, the key motives for engaging in platform work are the flexibility it offers and the opportunity to gain new skills – this can be understood as an expression of their entrepreneurial spirit – to manage and own their 'firms'. In this context, they themselves are these 'firms'. Digital entrepreneurs do not believe they will be able to develop their skills and be paid well if they find employment in the traditional economy.

Both respondents who have formally registered and those who have not done so but are considering taking the plunge agree they are constrained by underdeveloped tax incentives, lack of access to finance, financial issues, relationship with banks, lack of information, and ambiguities with financial transactions; these problems are particularly highlighted by female digital entrepreneurs as obstacles to the growth of their digital businesses. Here, the barriers to doing business that exist in Serbia's offline economy have carried over into the digital domain as constraints to entrepreneurship. Essentially, respondents' decisions to formally register are to a larger extent driven by their fears or expectations of regulatory constraints on their work or access to social security in Serbia than by their recognition of sole proprietorship and lump-sum taxation as the form of incorporation that will best allow them to express their entrepreneurial enthusiasm.

Continuing our gender-based assessment, digital entrepreneurship is characterised by a large income gap between men and women that is present both amongst sole traders subject to lump-sum taxation and those who pay taxes and contributions as natural persons or are not

formally registered. In this context, it is clear that digital entrepreneurship has assumed a pattern common to traditional entrepreneurial activity. The obvious conclusion is that this is the outcome of gender-based discrimination, but this is not recognised as such by our female respondents, meaning that the reasons for this online income gap remain unclear.

Finally, it ought to be noted that promoting digital entrepreneurship requires appropriate taxation policy, better access to finance, and placing emphasis on opportunities to improve human capital as the key driver of digital work and a knowledge-based economy.

5. RECOMMENDATIONS

5.1 Options for overcoming constraints on employment

Amend the Personal Income Tax Law and the Compulsory Social Insurance Contributions Law to allow more flexible taxation of freelancers/sole traders subject to lump-sum taxation with irregular and uncertain income. This is particularly relevant for female digital platform workers/entrepreneurs working in micro-jobs or teaching foreign languages through platforms, who often fail to register formally due to what they perceive as excessively high taxes. This measure could especially contribute to reducing inactivity and unemployment across vulnerable categories of women (Ministry of Finance; Ministry of Labour, Employment, Veterans' and Social Affairs).

Ensure freelancers and sole traders subject to lump-sum taxation have access to the same social rights as full-time employees, as is the case in a number of European countries (such as Belgium and France). Female digital workers are particularly motivated to formally register so as to gain access to the social protection system (Ministry of Finance; Ministry of Labour, Employment, Veterans' and Social Affairs).

Offer free training in the use of PayPal, Payoneer, and similar platforms and incentivise banks to develop specialised services and train their staff to be able to service the growing segment of digital entrepreneurs (Ministry of Finance; commercial banks; payment service providers).

Support private initiatives to develop women's ICT skills as a means of bridging the digital gap and creating opportunities for self-employment in the digital economy (Ministry of Trade, Tourism and Telecommunications; private training providers).

5.2 Options for overcoming constraints to becoming a digital entrepreneur

(bridging the gender gap in digital entrepreneurship)

Develop gender-sensitive education in business plan writing, accounting, and growing and managing businesses, as well as training for prospective women entrepreneurs that will allow them to acquire the soft skills needed for both traditional and digital entrepreneurship (National Employment Service; private training providers).

Extend business subsidy programmes to include sole traders subject to lump-sum taxation, where women account for a much greater proportion of entities (as both traditional and digital entrepreneurs) than in the corporate sector.

Introduce gender-based indicators for measuring the effectiveness and impact of programmes in support of traditional and digital entrepreneurship.

Continue offering incentives for innovative women's entrepreneurship (Government of Serbia; Development Fund).

Complement direct subsidies by other instruments (such as tax policies, etc.) to incentivise private service providers (business accelerators, hubs, co-working spaces) to develop programmes aimed at women. A good example of this is Belgrade-based Impact Hub (Government of Serbia; donors).

Map and promote robust and innovative models of women's digital entrepreneurship (Ministry of Economy; Serbian Chamber of Commerce; women entrepreneurs' associations).

5.3 Other recommendations

Incentivise girls to choose careers in ICT at an early stage, which is the objective of Girls' Day, an activity also supported by this project. Doing so would contribute to greater women's participation in the industry as both traditional and digital entrepreneurs and play a part in removing gender barriers in the sector.

Assess the particular characteristics of digital entrepreneurship and its opportunities to promote better utilisation of the knowledge, creativity, and potential of women with degrees in social sciences and the humanities and those practising creative professions, which are not generally considered conducive to traditional entrepreneurship. At various levels of formal education, introduce either compulsory or elective subjects that develop entrepreneurial skills.

Foster collaboration between schools of arts, social sciences, and humanities, on the one hand, and science schools, on the other, to allow students to gain creative, technical, and

entrepreneurial skills and knowledge. As women are over-represented in arts, social sciences, and humanities schools, doing so will help remove gender barriers originating in the offline domain and promote the creation of a level playing field for both women and men in digital work and entrepreneurship.

Enhance entrepreneurship statistics to permit them to capture digital entrepreneurship and its gender-related characteristics (Office of National Statistics; Business Registers Agency).

5.4 Recommendations for drafting strategic documents relevant for gender equality and entrepreneurship

Redefine entrepreneurship as the state of being pro-active (i.e. possessing entrepreneurial spirit) in acquiring and developing one's skills, both business-related and more generally, to allow individual digital entrepreneurs to become competitive with their peers in the global market in terms of skills and, ultimately, earnings. This is the most significant change to be made, and one that will have far-reaching consequences for policymaking that addresses entrepreneurship in the knowledge-based economy (Working Party tasked with drafting the new National Strategy for Improving the Position of Women and Promoting Gender Equality and the associated National Action Plan; Co-Ordinating Body for Gender Equality).

Strategic documents relevant for the development of a knowledge-based economy in Serbia and the promotion of economic growth should acknowledge digital entrepreneurship and its particular characteristics, and policies should be developed that suit this form of entrepreneurship (Government of Serbia).

Women's entrepreneurship (both traditional and digital) should be recognised as a means of promoting economic growth (National Small and Medium-Sized Enterprises Development Strategy, 2021-2025; National Gender Equality Strategy, 2021-2025).

Involve private service providers (business accelerators, hubs, private investors in start-ups) and academia in the development of strategic documents designed to foster digital entrepreneurship in general and women's digital entrepreneurship in particular.

Revise measures to overcome the gender gap in entrepreneurship that address new issues faced by women.

Regularly monitor developments related to digital work and entrepreneurship and revise action plans accordingly.

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