

# Entrepreneurship in Focus

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## Time or Money? Mothers and Start-up Decisions

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### Summary

How do parental leave policies influence mothers' decision to become an entrepreneur? This study finds: A reduction in parental leave duration significantly lowers the likelihood that mothers start their own business. In contrast, more generous time provisions foster entrepreneurial activity—especially among mothers with strong family responsibilities. Higher parental allowance has a positive effect only for mothers under considerable family strain.

Despite the increasing number of female founders, a significant gender gap in entrepreneurial activity persists (Guzmán & Kacperczyk, 2019). A key reason for this gap is that women, especially mothers, shoulder a disproportionate share of caregiving and household responsibilities, limiting their ability to pursue entrepreneurial opportunities (Markowska et al., 2023). Starting a family often marks a turning point in women's careers, when traditional employment arrangements are difficult to reconcile with the demands of caregiving. Although parental leave regulations primarily aim to facilitate reentry into traditional employment, these regulations also influence whether mothers consider entrepreneurship as a viable career path (Xiao & Wu, 2021).

For women at this stage of life, entrepreneurship can be a strategic way to balance professional autonomy and family obligations. In this context, parental leave policies serve a dual role. They function as labor market instruments and as structural conditions that either enable or hinder entrepreneurial action because these policies can constrain or facilitate the space needed by mothers to explore and pursue business opportunities. This study examines how the temporal and financial components of parental leave policies affect entrepreneurial intentions among mothers (Theunissen et al., 2025). It sheds light on the conditions under which such policies promote or suppress entrepreneurial behavior.

Our research is based on two empirical studies. The first study uses a natural experiment to evaluate two significant policy changes in Germany: the 2001 reform that reduced the paid parental leave period and the 2007 reform that substantially increased the parental allowance. Using data from the German Socio-Economic Panel (GSOEP), the analysis allows researchers to track entrepreneurial decisions over time and control for other variables.

To supplement and verify the results of the first study under controlled conditions, a conjoint experiment was conducted with 136 women in the second study (89% have become mothers in the past five years. 11% plan to do so in the near future). They were asked to evaluate various hypothetical scenarios in which the key features of parental leave arrangements differed.

The focus was on the duration of parental leave and the amount of parental allowance, the two main components. Four other influencing factors were also varied: the flexibility of parental leave and allowance, childcare availability, and individual support measures for female founders. Integrating these additional factors should allow for the depiction of realistic decision-making situations and the isolation of the effects of the core components of time and money.

### 17 % Fewer Start-ups Due to Shortened Parental Leave

The results of the first study show that the 2001 reform, which reduced available time, was associated with a significant decrease in the likelihood of starting a business. Specifically, this reform decreased the probability that a mother would start a business within six years of the birth of a child by 17 percent. This effect was robust and could not be explained by observable characteristics such as education, age, income, or economic development. The effect was particularly evident among women with previous employment, a professional commitment, and a medium to high level of education. This suggests that even women with strong qualifications and prior labor market attachment experienced a substantial decline in entrepreneurial activity when available time was limited. In contrast, the 2007 reform that increased the parental allowance had no statistically significant impact on entrepreneurial activity among mothers. This suggests that time is a more decisive factor than financial support—especially for mothers who have the potential to start a business but lack the time to pursue it.

These results underscore the greater relevance of time compared to money in shaping mothers' entrepreneurial decisions. This is especially true for women who have the skills and drive to start a business but lack the time to develop and pursue their ideas. Time enables planning, experimentation, and reflection, all of which are essential in the early phases of entrepreneurial activity.

## Parental Leave Matters Most for the Middle Class. Allowance Helps with Family Strain

The second study's findings confirm that longer parental leave significantly increases a mother's willingness to start a business, while shorter durations have the opposite effect (How likely is it that full-time self-employment will be pursued during or immediately after parental leave?). Emotional support from a partner further amplifies the positive effect of an extended leave on entrepreneurial intentions. Women who felt supported by their partners viewed longer leave as a valuable opportunity to reflect on and pursue business ideas. The amount of parental allowance, by contrast, played a comparatively minor role overall. A positive effect of increased parental allowance was only observed among mothers with particularly high family burdens from care and household responsibilities (30 hours per week or more – the sample average was around 20 hours).

Greater flexibility in how parental leave time or money could be used had no statistically significant impact on mothers' entrepreneurial intentions. This suggests that flexibility alone may be insufficient to encourage self-employment without an actual increase in available time or resources. In contrast, access to high-quality childcare and targeted entrepreneurial support programs for women were both associated with a notable increase in entrepreneurial intent. These findings underscore the importance of a supportive ecosystem beyond time and monetary incentives in influencing entrepreneurial intentions. Notably, the effectiveness of time-related parental leave policies varied across socioeconomic groups. Women from more middle-class backgrounds responded positively to generous provisions, while those from higher socioeconomic backgrounds showed no discernible response to policy changes. This is likely because they benefit from alternative forms of support, such as private childcare, domestic help, or financial buffers, that shield them from structural constraints.

## Paving the Way for More Mother-Led Start-ups

These findings underscore the importance of viewing family policies through the lens of both employment and entrepreneurial potential. Parental leave can give mothers the time they need to think about their careers, develop business ideas, and take the first steps toward starting their own business. Reducing these timeframes diminishes these opportunities and creates structural barriers for potential start-ups. As a result, entrepreneurship may appear unrealistic, not due to a lack of ambition, but due to a lack of supportive conditions.

This calls for clear action from policymakers and support institutions. To effectively promote entrepreneurial activity among mothers, family policies must recognize

time as a critical resource and ensure it is available in sufficient quantities. For example, this could be achieved through extended parental leave periods with consistent or reduced monthly payments, as well as special provisions for mothers planning to start a business. However, these policies must be complemented by structural measures, such as expanding access to full-day, high-quality childcare; enabling flexible transitions between parental leave and self-employment; and introducing targeted support programs for female founders with caregiving responsibilities. Only when time, care infrastructure, and tailored support come together can an environment emerge in which entrepreneurship becomes a realistic and attractive option for mothers.

Targeted support increases the start-up rate among mothers and contributes to greater diversity in Germany's entrepreneurial landscape. An inclusive ecosystem that embraces diverse family situations promotes economic dynamism and innovation while advancing equal opportunity.

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