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

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ABSTRACT: *This study aims to examine the impact of the ongoing childcare crisis on female entrepreneurship. It specifically explores how insufficient and unaffordable childcare presents barriers to business growth, innovation, and participation in the economy by women entrepreneurs, and how these challenges affect broader goals of economic sustainability and inclusive development. This study employs a mixed-methods approach, using a systematic review of peer-reviewed literature, economic reports, and organizational publications. Secondary data from sources like the Kauffman Foundation, United WE, and the Federal Reserve were analyzed to identify policy gaps. Research tools included database searches via ProQuest and Google Scholar using relevant keywords and thematic content analysis of selected sources. Findings reveal that lack of affordable childcare significantly restricts the capacity, innovation, and scalability of women-owned businesses. Many female entrepreneurs must reduce business activity or exit entrepreneurship entirely due to caregiving demands. These barriers limit economic output, reduce workforce participation, and stall the progress of women in business leadership and innovation. This research is applicable in the fields of economic development, entrepreneurship, gender studies, labor policy, and public administration. It is especially useful to policymakers, small business support organizations, and advocacy groups focused on equity, economic resilience, and inclusive innovation ecosystems for women entrepreneurs.This study uniquely links the childcare crisis to constraints in female entrepreneurship and positions childcare policy as a key lever for economic innovation. It offers new insights and targeted policy recommendations that highlight entrepreneurship as a critical area for reform, reframing caregiving challenges as structural economic barriers requiring immediate attention.*

Key words*: Childcare, economic growth, entrepreneurship, women.*

1. 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 (Green, Johnson, & Patel, 2024). In addition, female entrepreneurship has emerged as a powerful force in the global economy, fueling innovation, generating employment, and promoting 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. The ongoing childcare crisis, marked by limited availability, high costs, and systemic inaccessibility, significantly impacts the entrepreneurial landscape for women.

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 (Howland, 2024). 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

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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.

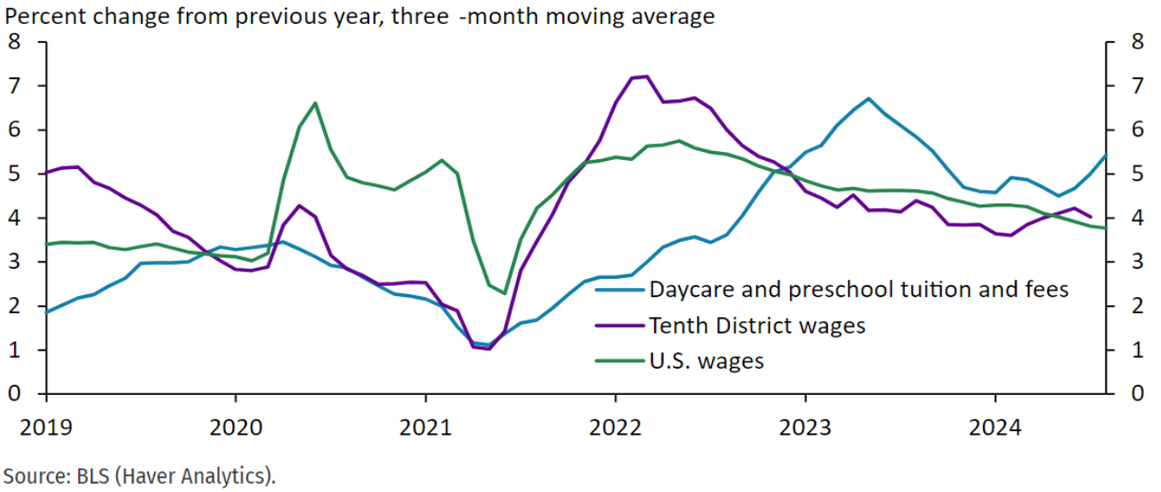


Figure 1. Daycare and preschool tuition and fees.
Source: Howland, S. (2024). "Notes from the community: childcare." Federal Reserve Bank of Kansas City, *Community Connections*. https://www.kansascityfed.org/community/community-connections/notes-from-the-community-childcare/

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 (Dhaliwal, 2022). 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 (Eidson, 2022).

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. It underscores the vital role female entrepreneurs play in economic development and explores how inadequate childcare and 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.

2. Literature Review

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 (Ventureneer, Corewoman, & WIPP Education Institute, 2024). Research from the Kauffman Foundation (Looze & Desai, 2020) attributes nearly all American middle-class economic gains since the 1970s to the increased earnings of women. Working mothers in particular have emerged as key financial contributors, with 72.3% of women with children under 18 employed in 2019 (U.S. Bureau of Labor Statistics, 2020).

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Despite these contributions, structural inequities persist. The traditional family model, which centers an employed male and a stay-at-home mother, remains the foundation of many policies—even though only about 20% of American households fit this model (Livingston, 2018). Studies by Eidson (2024) and others affirm that the unpaid labor of mothers, while economically significant, remains unrecognized in national economic measures. Bianchi et al. (2006) and Folbre (2017) estimate that accounting for this unpaid domestic labor would increase GDP by 30–40%.

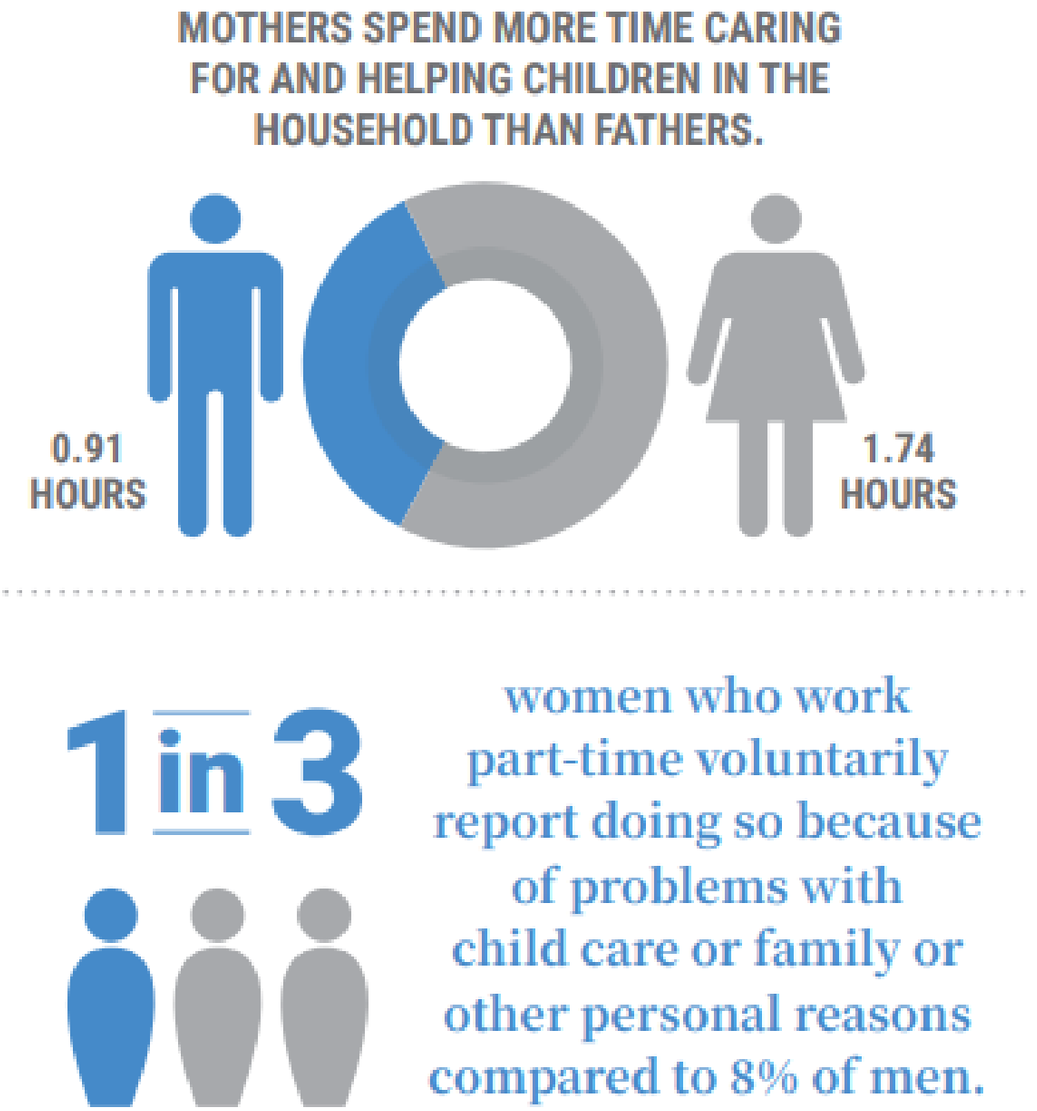


Figure 2. Mothers time caring for children.
Source: Looze, J. & Desai, S. (2020) Economic Engagement of Mothers: Entrepreneurship, Employment, and the Motherhood Wage Penalty, Kauffman Foundation: Kansas City.

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

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autonomy, mothers encounter barriers, with limited access to childcare compounding the broader entrepreneurial challenges women face (Looze & Desai, 2020).

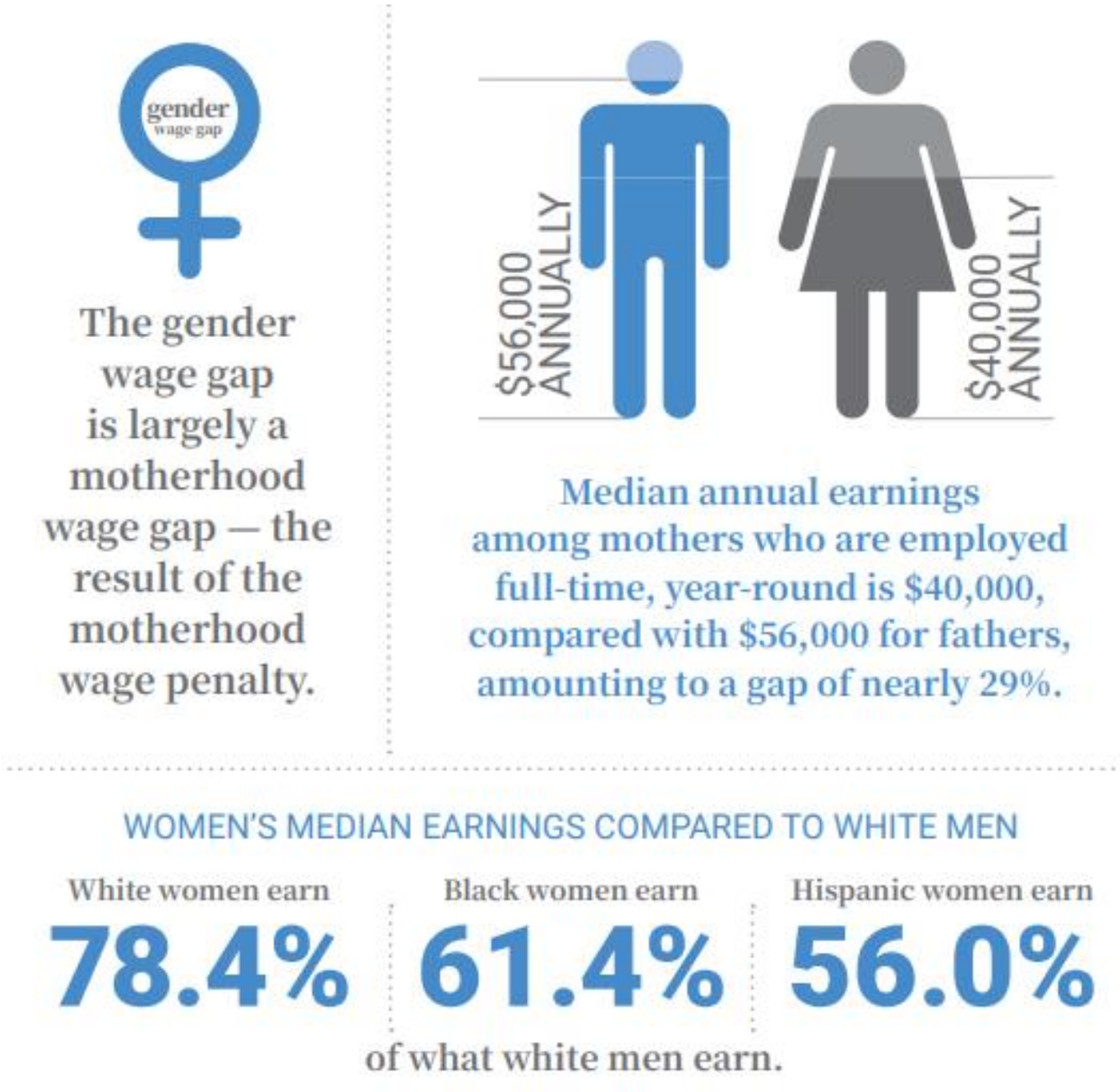


Figure 3. The gender wage gap.
Source: Looze, J. & Desai, S. (2020) Economic Engagement of Mothers: Entrepreneurship, Employment, and the Motherhood Wage Penalty, Ewing Marion Kauffman Foundation: Kansas City.

Barriers to business expansion, particularly for women with caregiving responsibilities, are evident. Women-owned businesses face challenges scaling beyond $1M in revenue, and two-thirds of such businesses report lacking sufficient access to capital (WIPP Education Institute, 2024; Stengel, 2023). The COVID-19 pandemic amplified these issues: mothers were three times more likely than fathers to be out of work due to school or childcare closures, and 25% of women founders were sole household providers (Pardue, 2023).

Access to affordable childcare remains a primary constraint. A 2023 survey by Small Business Majority found that 59% of business owners cite childcare barriers as limiting growth. Following the expiration of the Child Care Stabilization Program, one-third of families reported tuition increases, and nearly half of U.S.

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families live in "childcare deserts" (Malik et al., 2022; National Association for the Education of Young Children, 2023).

Federal Reserve research (Howland, 2024; Hartley et al., 2024; Lazette, 2024) supports these findings, highlighting that while the number of childcare providers and workers has increased, inflationary pressures continue to raise costs. These trends undermine both labor participation and entrepreneurial sustainability for women.

3. Methodology

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.

To complement the literature, this paper includes reports and publications from leading organizations 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 they face, 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.

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.

4. Result/Findings

By October 2020, mothers between the ages of 24 and 39 were nearly three times more likely than fathers to report being unable to work due to school or childcare closures. Business applications spiked in July 2020 as women sought flexibility through entrepreneurship (Pardue, 2023). Women-owned businesses generated $2.7 trillion and employed over 12 million people in 2024 (Ventureneer, Corewoman, & WIPP Education Institute, 2024).

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 (Pardue, 2023).

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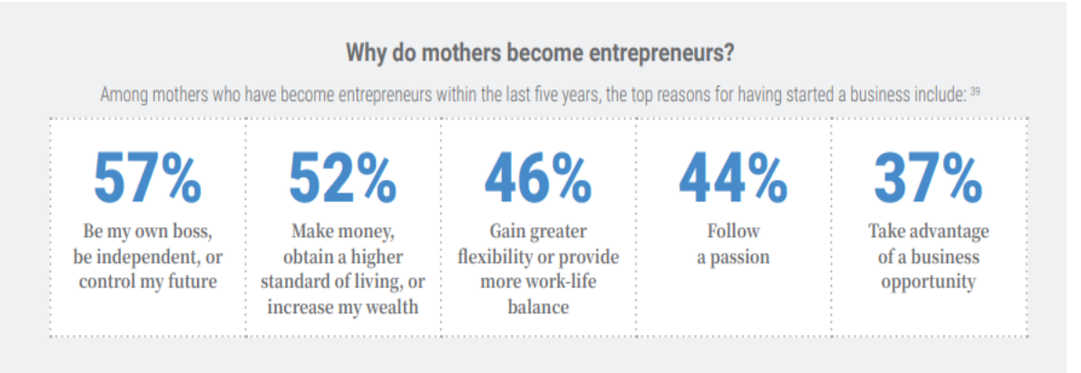


Figure 4. Why do mothers become entrepreneurs?
Source: Desai, S. and Howe, T. (2020) "Who doesn't start a business in America?

A look at pre-entrepreneurship leavers," Ewing Marion Kauffman Foundation: Kansas City.

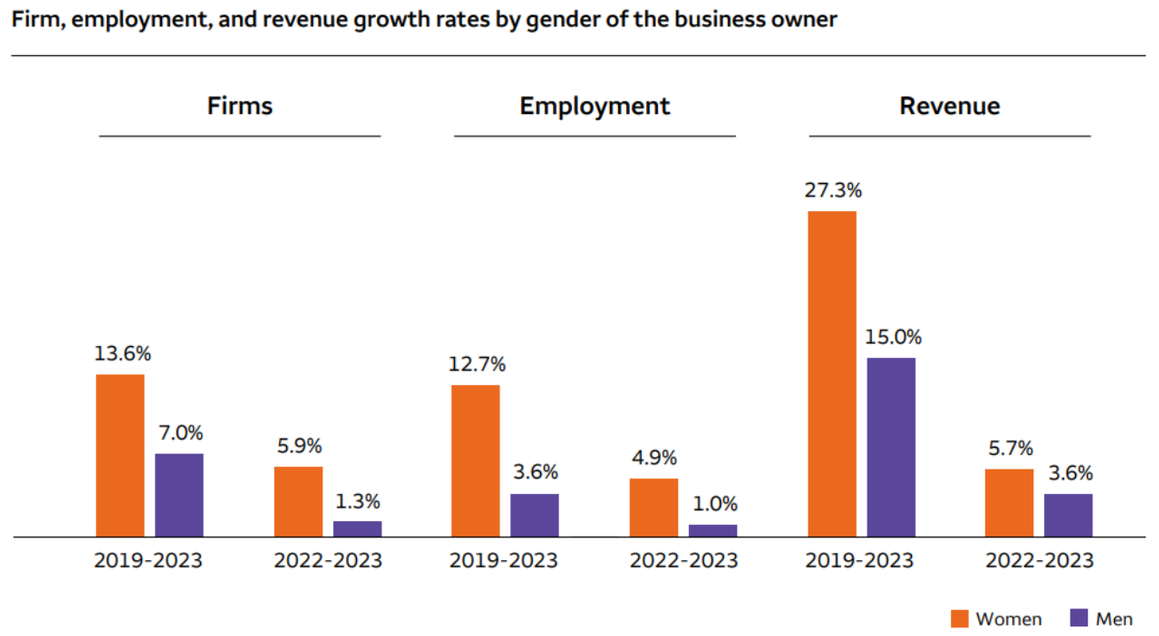


Figure 5. Firm, employment, and revenue growth rates by gender of the business owner.
Source: The 2024 Impact of Women-Owned Businesses. (2024). Report by Ventureneer, Corewoman, & The WIPP Education Institute for Wells Fargo & Company. The 2024 Impact of Women-Owned Businesses.

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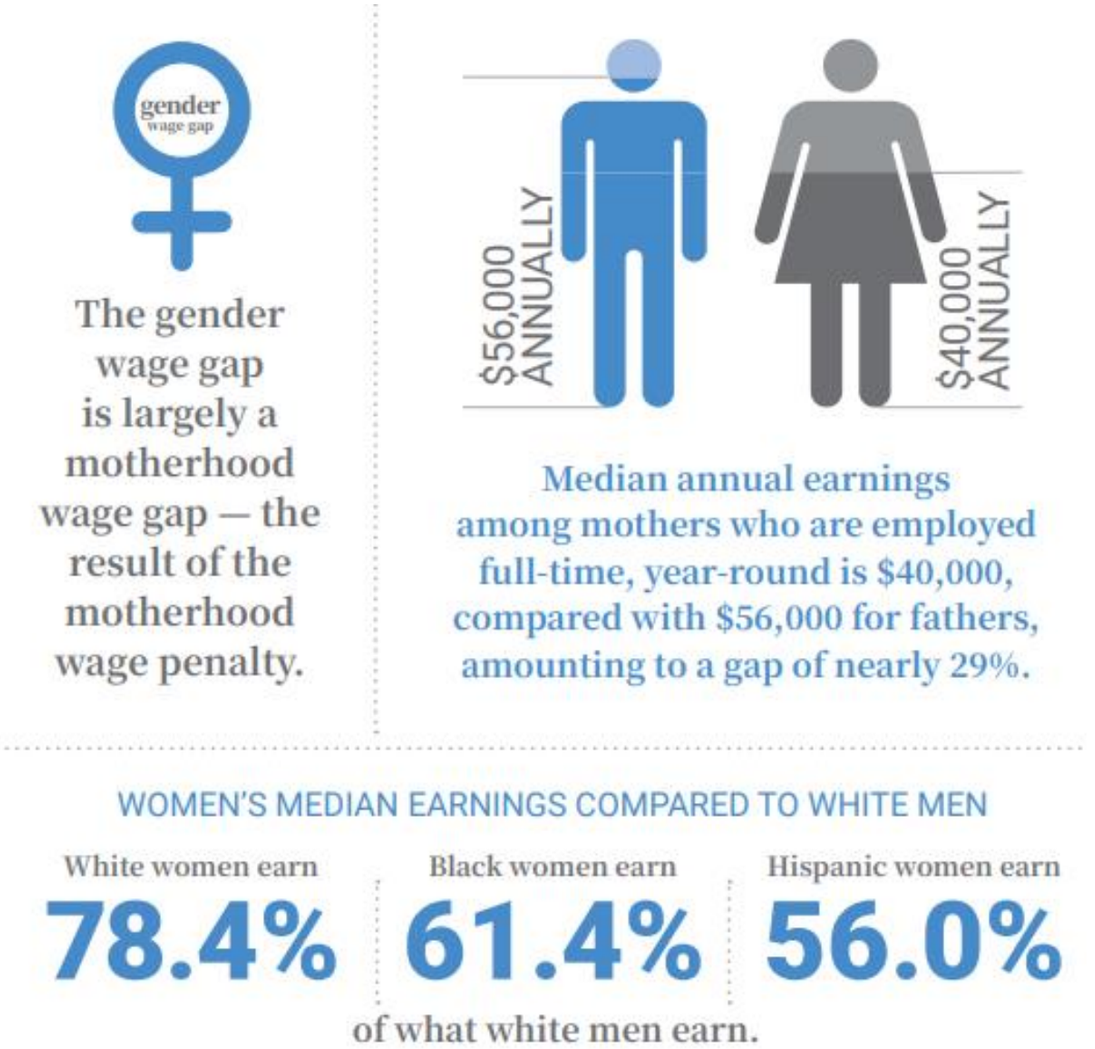


Figure 6. The gender wage gap.
Source: Looze, J. & Desai, S. (2020) Economic Engagement of Mothers: Entrepreneurship, Employment, and the Motherhood Wage Penalty, Ewing Marion Kauffman Foundation: Kansas City.

Despite this growth, mothers continue to face disproportionate burdens. One-quarter of women business founders have left entrepreneurship due to childcare demands (Small Business Majority, 2024). Following the end of the Child Care Stabilization Program, 25% of providers reduced capacity, while 28% couldn't raise wages (Angell, 2024).

Costs continue to climb. Even with more centers and workers, childcare prices have outpaced wage growth, especially in the Tenth District (Howland, 2024). Families face limited access, rising tuition, and workforce disengagement - all factors restricting women's entrepreneurial success.

5. Conclusion

The childcare crisis severely restricts female entrepreneurship by limiting access to affordable services, increasing costs, and reinforcing systemic inequities. Women remain essential economic contributors, yet face disproportionate caregiving responsibilities without structural support.

This study demonstrates that childcare is a foundational barrier to innovation, scalability, and sustainability for women-led businesses. As such, economic development must include policy interventions that recognize caregiving as a shared societal obligation.

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Recommended actions include:

- Reinstating and expanding the Child Care Stabilization Program.
- Providing targeted tax credits for entrepreneurs relying on childcare.
- Investing in childcare infrastructure in underserved areas.
- Offering childcare vouchers or subsidies.
- Funding childcare workforce development programs.

These targeted policies would empower women to grow their businesses, enhance national economic resilience, and promote equity in entrepreneurship.

6. Limitations and Study Forward

This study is limited by its reliance on secondary data. Future research should include primary data collection, such as interviews or case studies with women entrepreneurs, especially those in rural areas or from underrepresented groups. Longitudinal studies examining outcomes over time would provide a richer understanding of the childcare barrier and its evolving impact.

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