The background of the cover is a collage of business-related images. In the top left, there are stacks of papers, one with the number '22.50' visible. On the right side, there are red and white striped diagonal bands. Below these, there are faint, overlapping images of documents, some with numbers like '40' and '100'. In the bottom left, a woman's profile is shown in a reddish-pink hue, holding a pen to her chin in a thoughtful pose. The overall color palette is a mix of warm yellows, oranges, and cooler blues and greens.

Women's Studies

# Women's Business Ownership in the 21st Century

Brandon R. Ortiz  
Editor

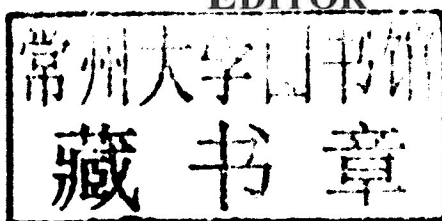
NOVA

WOMEN'S STUDIES

# WOMEN'S BUSINESS OWNERSHIP IN THE 21ST CENTURY

BRANDON R. ORTIZ

EDITOR



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**WOMEN'S STUDIES**

**WOMEN'S BUSINESS OWNERSHIP  
IN THE 21ST CENTURY**

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## PREFACE

This new book documents the changes in women-owned businesses over time, explores disparities in the characteristics of businesses owned by women as compared to those owned by men, and discusses potential reasons for these disparities and the different outcomes that are associated with them. The focus is on proprietorships, partnerships, or any type of privately-held corporation with one or more owners. The growth of women-owned businesses, and their performance as job creators at a time when other privately-held businesses were losing jobs, testifies to the importance of women-owned businesses to the economy.

Chapter 1- This chapter documents the changes in women-owned businesses over time, explores disparities in the characteristics of businesses owned by women as compared to those owned by men, and discusses potential reasons for these disparities and the different outcomes that are associated with them. The focus is on proprietorships, partnerships, or any type of privately-held corporation with one or more owners. Publicly- held companies are not included. Highlights include:

- Women-owned businesses contribute significantly to the U.S. economy. In 2007, 7.8 million firms were owned by women, accounting for almost 30% of all non-farm, privately-held U.S. firms. Women-owned firms had sales/receipts of \$1.2 trillion and those with paid employees had 7.6 million workers.
- The number of women-owned businesses has grown over time. Between 1997 and 2007, the number of women-owned businesses grew by 44%, twice as fast as men-owned firms, and they added roughly 500,000 jobs while other privately-held firms lost jobs. In part, this is because women-owned firms were more likely to be located in industry sectors that experienced employment growth, such as health care and education services.
- Between the years 1997 and 2002, the number of businesses owned by minority women increased faster than those owned by non-minority women, with minority women-owned firms accounting for more than half of the increase in women-owned businesses.
- Women-owned businesses are typically smaller than men-owned businesses. Although women own 30% of privately-held businesses, these businesses account for only 11% of sales and 13% of employment among privately-held companies. Average sales/receipts for women-owned businesses are only 25% of average

sales/receipts for men-owned businesses. Women-owned businesses are concentrated in industry sectors where firms are typically smaller.

- There are substantial differences in the financing utilized by women-owned versus men-owned businesses. Women start with less capital than men and are less likely to take on additional debt to expand their businesses. They are more likely than men to indicate that they do not need any financing to start their business. It is difficult to distinguish preferences from constraints in these data. For instance, women may encounter less favorable loan conditions than men or they may be less willing to take on risk by seeking outside capital.
- The characteristics of self-employed women are similar to those of self-employed men. Compared to the non-self-employed, self-employed women and men are older, more likely to be married, and less likely to have children at home. However, women who are self-employed work fewer hours on average in their business than self-employed men.
- The annual earnings ratio between self-employed women and men is 55%, well below the ratio between non-self-employed women and men.

Chapter 2- This study examines the relationship between human capital and women's self-employment. We explore the trends in women's human capital acquisition, focusing on a distinction between general and specific human capital. We further distinguish the acquisition of education, experience, and entrepreneurial preparedness within the general and specific categories to examine how different types of human capital influence women's self-employment. Using data from the Current Population Survey<sup>1</sup> for the period between 1994 and 2006, we analyze human capital characteristics of self-employed women and compare them to other working women and self-employed men. We also consider how human capital varies between self-employed whites and minorities. In doing so, we provide a detailed definition of human capital and present a differentiated perspective on the link between women's human capital advancement and self-employment.

Chapter 3- This chapter describes a statistical evaluation of the similarities and differences between male and female entrepreneurs and their ventures. The purpose of the study was to gain a better understanding of the extent to which entrepreneurship by men and women is different. Using data from the Panel Study of Entrepreneurial Dynamics, the sample included 685 new business people who indicated that they were in the process of starting a business in 1998 or 1999.

## *Chapter 1*

# **WOMEN-OWNED BUSINESSES IN THE 21ST CENTURY**

*United States Department of Commerce*

## **ACKNOWLEDGMENTS**

I would like to acknowledge the contributions of those who assisted in the preparation of this chapter.

I am particularly grateful for the work done by members of my staff. Cassandra Ingram, Sandra Cooke-Hull, and Jacqueline Savukinas are responsible for most of the research and analysis that went into this chapter. They were assisted by Lee R. Wentela, Anthony Caruso and Cornell J. Krizan at the Census Bureau. Brittany Bond, Rebecca Lehrman, Jane Molloy and Sabrina Montes also contributed significantly to the final product.

We have benefited greatly from the comments and suggested edits that were made by colleagues at the White House Council on Women and Girls, the National Economic Council, the Small Business Administration, the Council of Economic Advisers, the U.S. Department of Justice, the U.S. Department of Labor, including the Bureau of Labor Statistics, and the Minority Business Development Agency and the Census Bureau of the U.S. Department of Commerce.

Finally, I want to thank the White House Council on Women and Girls for inviting us to produce this chapter, with particular thanks to Tina Tchen and Ginger Lew.

**Rebecca M. Blank**

Under Secretary for Economic Affairs  
U. S. Department of Commerce

## **EXECUTIVE SUMMARY**

This chapter documents the changes in women-owned businesses over time, explores disparities in the characteristics of businesses owned by women as compared to those owned



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## *Chapter 1*

# **WOMEN-OWNED BUSINESSES IN THE 21ST CENTURY**

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- The annual earnings ratio between self-employed women and men is 55%, well below the ratio between non-self-employed women and men.

The growth of women-owned businesses, and their performance as job creators at a time when other privately-held businesses were losing jobs, testifies to the importance of women-owned businesses to the economy. These businesses represent a potential source of future economic growth, yet they have a long way to go to achieve parity with men-owned businesses. More consideration should be given to identifying and implementing measures

that support women's business ownership, such as increasing the networks, mentoring, and information available to potential women business owners, as well as assuring that start-up capital is available.

## **I. INTRODUCTION**

Women-owned businesses make a significant contribution to the U.S. economy and have grown in number and size over the past two decades. Yet, women-owned businesses still have a long way to go to achieve parity with men-owned firms.

This chapter, prepared by the Economics and Statistics Administration (ESA) of the U.S. Department of Commerce at the request of the White House Council on Women and Girls ([www.whitehouse.gov/administration/eop/cwg](http://www.whitehouse.gov/administration/eop/cwg)), analyzes the changing role of women-owned businesses in the U.S. economy. The report explores differences between women-owned and men-owned businesses and investigates how the characteristics, choices and constraints of female business owners relate to these differences.

Throughout this chapter, a business is defined as a proprietorship, partnership or privately-held corporation with one or more owners. Publicly-held companies are not included in any of the analysis, hence we do not look at women who serve as CEOs or senior managers in publicly-held companies.

The data presented in the report come from three different data sources. The Survey of Business Owners (SBO), conducted by the U.S. Census Bureau, collects data every five years from a sample of businesses as part of the Economic Census of all U.S.-based establishments. The Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC) is conducted by the Census Bureau and provides annual data on a scientifically-selected sample of the U.S. population. It has extensive information on the characteristics of workers, including whether they are self-employed. The Kauffman Firm Survey (KFS) is conducted by the Kauffman Foundation and provides annual information about a set of firms that were established in 2004. The report also relies on a host of recent research studies that investigate differences between women-owned and men-owned businesses.<sup>1</sup>

This chapter does not, itself, attempt to measure the effects of direct or indirect discrimination faced by women in their decision to start a business, their access to capital, or their ongoing business operations. The report does discuss the difficulty in measuring gender discrimination against business owners and reviews some of the literature that investigates whether women-owned businesses appear to face larger barriers than other businesses. The report discusses areas where discrimination may help to explain some of the differences between women-owned and men-owned businesses.<sup>2</sup>

## **II. THE STATUS OF WOMEN-OWNED BUSINESSES**

The role of women-owned businesses in the U.S. economy has expanded greatly over time. This section provides evidence of the growing economic significance of women-owned businesses relative to men-owned businesses.

## Business Ownership by Gender

We start by looking at trends in business ownership by gender. There are two sources of data for this section. We use the CPS ASEC data to compare trends in self-employment rates over time between women and men. The ASEC also includes additional data on demographic characteristics and income for self-employed workers, which we will look at later in this chapter. The most recent CPS ASEC data are from 2008. The 2007 SBO provides information on more than 27 million U.S. businesses and can be used to identify the number of businesses owned by women. Unlike the CPS ASEC, which provides information on self-employed individuals and their families, the SBO has detailed information on the businesses they operate. These two surveys provide complementary information on gender and business ownership, and we discuss the trends from each survey in the next two sections.

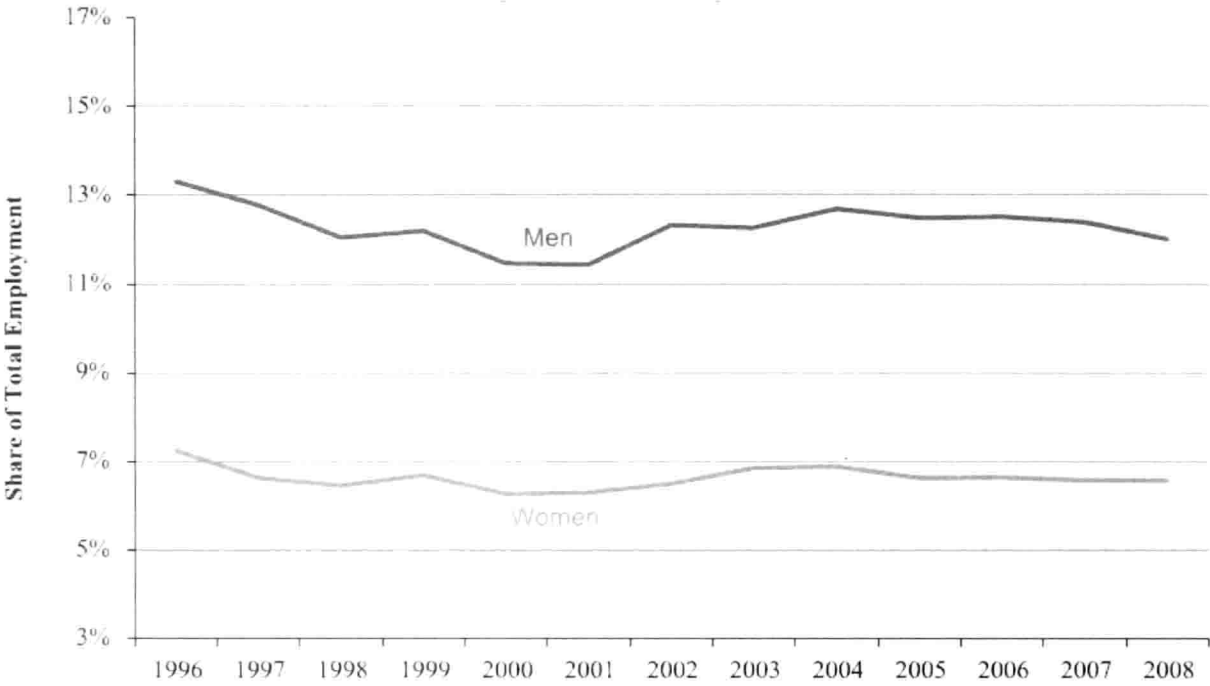
Since the data used in this analysis do not go beyond 2008, the effect of the recent recession on women-owned businesses is unclear. We do discuss differences in the cyclical nature of some of the industries where men-owned businesses are concentrated, which suggests one reason why women-owned businesses are likely to have outperformed men-owned businesses in recent years.

### *Self-Employment Rates*

The CPS ASEC can be used to identify trends in self-employment by gender. Those who report themselves as self-employed are typically assumed to be business owners. The self-employment rate is the percent of the employed population who report self-employment as their primary job activity. This can include self-employment in either incorporated or non-incorporated businesses. We show the data for those individuals who reported working at least 15 hours per week in their business and 50 or more weeks in the previous year. This excludes people who are primarily employed elsewhere or are engaged in non-market activities.<sup>3</sup> These self-employed individuals may own their own firm or may jointly own a business with others. Therefore, the number of self-employed *individuals* as reported in the ASEC is not comparable to the number of *businesses* as reported in the SBO.

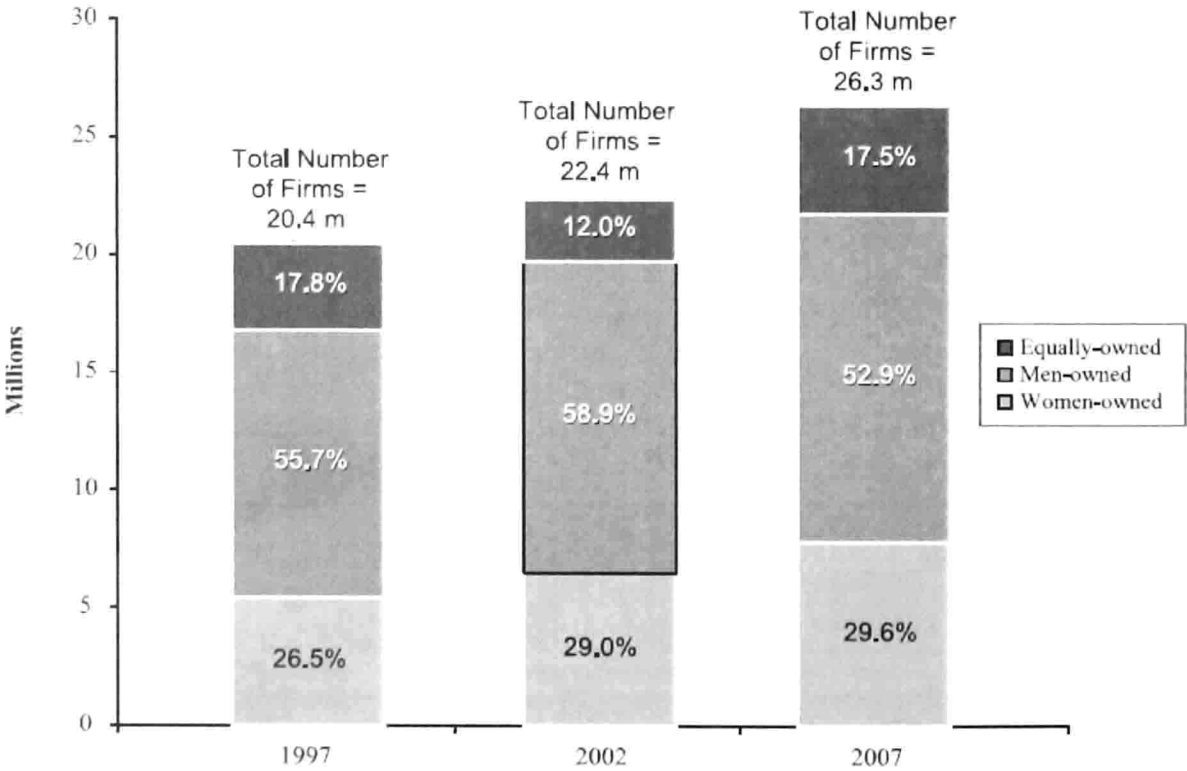
Estimates of non-farm self-employment rates for men and women are presented in Figure 1. In 2008, 6.6% of all employed women in the labor force were self-employed. This is slightly more than half the self-employment rate for men, which is 12%.

As Figure 1 demonstrates, the self-employment *rates* for both men and women have changed only slightly since 2000, but since employment has grown over this period, the *number* of self-employed women has increased. Between 2006 and 2008, the number of self-employed men fell 7.6%, whereas the number of self-employed women declined by only 0.6%.



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 1997-2009.

Figure 1. Share of Self-Employed Workers by Gender, 1996-2008



Sources: U.S. Census Bureau, Survey of Business Owners, 2002 and 2007 and Survey of Women-Owned Business Enterprises, 1997.

Figure 2. Number of Privately-Owned Businesses by Gender of Owner 1997, 2002 and 2007

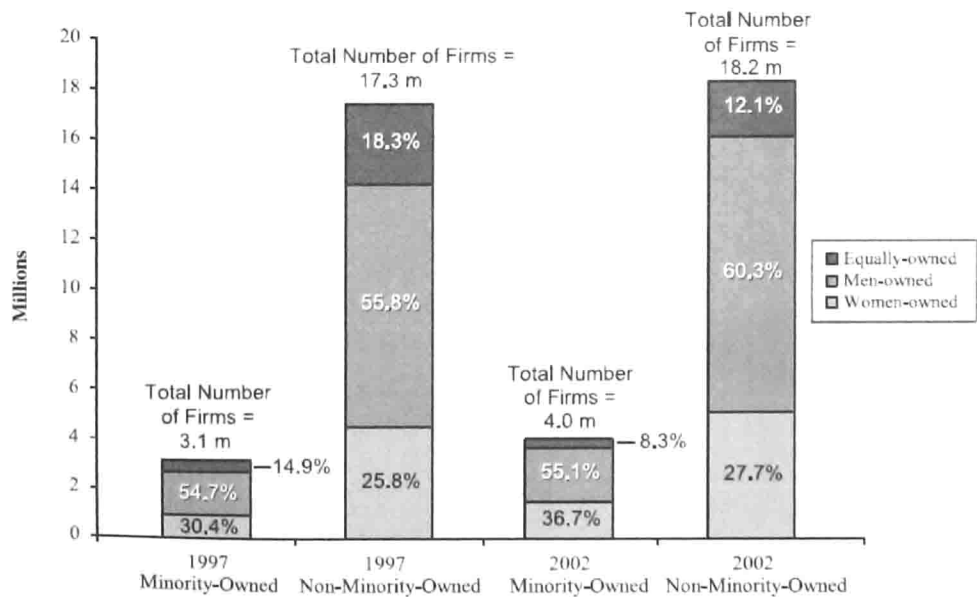
**Business Ownership Rates**

Turning from the self-employed to their businesses, the Survey of Business Owners (SBO) identifies the number of privately-held businesses. The SBO asks about the gender of owners and categorizes each business as women-owned, men-owned, or equally-owned.<sup>4</sup> Firms that are jointly owned by married couples would typically fit into this last category.

As Figure 2 and Table 1 indicate, in 2007 roughly 30% of the total 26.3 million firms were owned by women. Men-owned firms accounted for 52.9% of all businesses, while 17.5% of businesses were equally-owned. The *proportion* of women-owned firms increased only slightly between 1997 and 2007, from 26.5% to 29.6%. However, the overall number of privately-owned firms has increased, so the *number* of women-owned firms has grown rapidly, as did the number of self-employed women. Between 1997 and 2007, the number of women-owned businesses grew from 5.4 to 7.8 million, an increase of 44%. This is almost twice as fast as the rate for men-owned and equally-owned firms. Between 1997 and 2007, the number of men-owned firms increased by 22%, from 11.4 to 13.9 million, and equally-owned firms increased by 28%, from 3.6 to 4.6 million.

**Racial/Ethnic Composition**

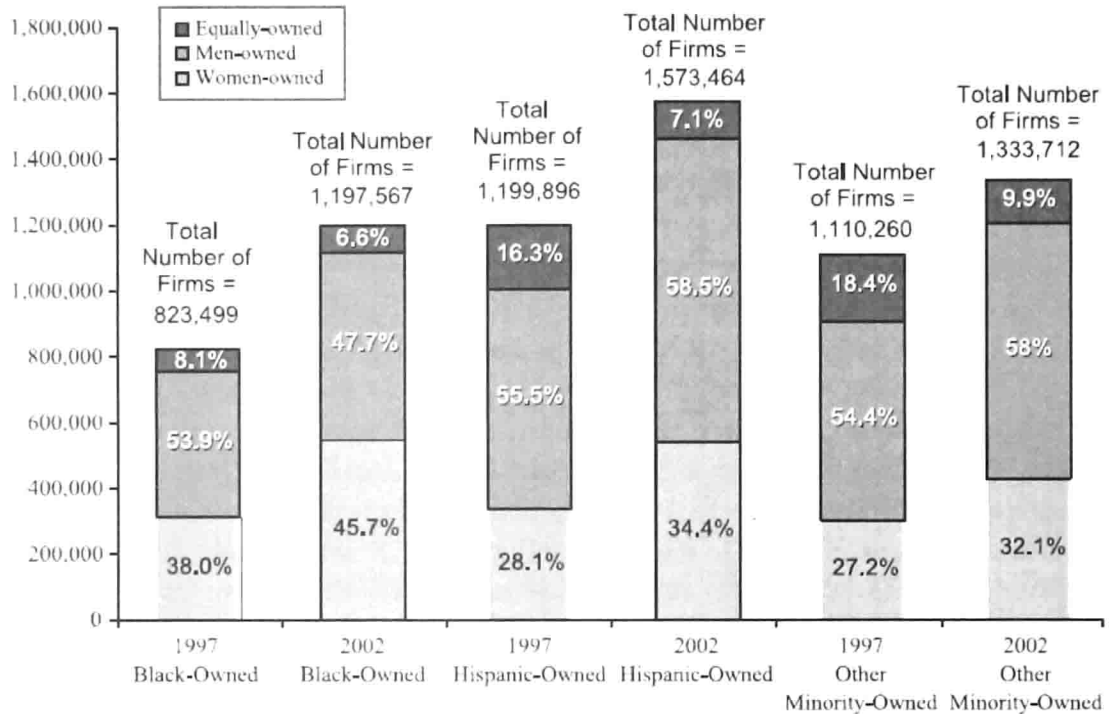
There are notable differences in private business ownership among minority and non-minority men and women as shown in Figure 3-A. In general, women-owned businesses constitute a higher share of all businesses in the minority community. In 2002, the latest year for which racial/ethnic data are available, 27.7% of all non-minority businesses were owned by women, while 36.7% of minority businesses were owned by women. The share of women-owned businesses has increased for both minority- and non-minority-owned firms.



Sources: U.S. Census Bureau, Survey of Minority-Owned Business Enterprises, 1997 and Survey of Business Owners, 2002 (unpublished data).

Note: Contains some double counting as Hispanic-owned firms are included in one or more race categories; excludes a small number of equally minority/non-minority owned firms; percentages may not sum to 100% because of rounding.

Figure 3-A. Number of Privately-Owned Businesses by Ownership Status (Gender and Minority), 1997 and 2002



Sources: U.S. Census Bureau, *Survey of Minority-Owned Business Enterprises, 1997 and Survey of Business Owners, 2002*.

Note: Contains some double counting as Hispanic-owned firms are included in one or more race categories; excludes a small number of equally minority/non-minority owned firms; percentages may not sum to 100% because of rounding.

Figure 3-B. Number of Minority-Owned Businesses by Ownership Status (Gender and Race/Ethnic Group), 1997 and 2002

Figure 3-B looks separately at gender ownership patterns among Black-owned firms, Hispanic-owned firms, and all other minority-owned firms. Ownership by gender was most evenly split among blacks, with 45.7% of all black firms owned by women in 2002. The share of women-owned firms was 34.4% among Hispanic businesses and 32.1% among all other minority-owned firms. Each of these groups had a higher rate of women-owned firms than occurred among non-minority-owned firms.

The growth rates of business ownership also varied across race and ethnicity. Between the years 1997 and 2002, the number of businesses owned by women increased by 20%, resulting in one million more women-owned businesses. The number of minority women-owned businesses increased faster than non-minority women-owned business, with minority women accounting for more than half of the increase in women-owned businesses. Among all minority and ethnic groups, African-American women-owned firms saw the largest gain of more than 234,000 businesses for an increase of nearly 75%.

## Firm Growth and Business Outcomes

The next few tables and figures compare the characteristics of women-owned and men-owned businesses, and indicate how these characteristics have changed over time. Tables 1, 2, and 3 report historical trends using comparable data from 1982 to 1992, and from 1997 to



2007. The tables contain a dotted line between 1992 and 1997 because there were major changes to the 1997 survey and thus data between these two years should not be directly compared.<sup>5</sup> The Appendix provides more detail on these issues. The data confirm that women-owned firms continue to lag behind men-owned firms on a number of indicators, notwithstanding progress in recent years.

### ***Sales/Receipts***

As the number of women-owned firms has grown over time, so has their business volume. As shown in Table 1, total sales/receipts of women-owned, privately-held firms totaled \$1.2 trillion in 2007, growing at much faster rates than among men-owned firms. From 1997 to 2007, sales/receipts among women-owned businesses grew 46% from \$819 billion to \$1.2 trillion, compared to 28% growth among men-owned businesses, for which sales/receipts rose from \$6.6 to \$8.5 trillion. This largely reflects the faster growth in the number of women-owned firms, from 5.4 million to 7.8 million over this time period. Average sales among women-owned firms are much lower than among men-owned firms, and have grown at a slower rate. Average sales for women-owned firms totaled \$153,000 in 2007. This is only one-fourth as large as the average sales for men-owned firms, which totaled more than \$612,000.

Although women-owned firms represented about 30% of business ownership in the U.S. in 2007, the sales/receipts from these women-owned businesses comprised only 11% of total sales/receipts, providing more evidence of the smaller size of women-owned firms. In comparison, men-owned firms accounted for almost 53% of total privately-held firms, but a substantially larger 77% of total sales/receipts.

Figure 4 shows the size distribution of sales/receipts among women-owned versus men-owned businesses. The results indicate that 67.9% of women-owned firms have sales/receipts of less than \$25,000 annually, compared to 46.3% for men-owned firms. Similarly, Figure 4 shows that a higher proportion of men-owned firms than women-owned firms were in the higher sales categories. Only 3.7% of women-owned firms had sales/receipts of \$500,000 or more, whereas 11.1% of men-owned firms were in this sales/receipts category. It would be interesting to have more information on some of these large women-owned businesses, but we are unaware of any detailed research that focuses only on this group of firms. Of course, as firms become larger, it becomes more and more likely that they will become publicly-held companies.

Figure 5 examines the disparity in sales/receipts between women- and men-owned firms by industry sector. Each point on the graph represents an industry sector, such as manufacturing or health care. The plot shows the percent of women-owned firms in each industry versus the percent of sales/receipts received by women-owned firms in that industry. Each point on the graph falls below the forty-five degree line, indicating that the percent of sales/receipts earned by women-owned firms in every industry is less than their concentration in that industry in terms of number of firms. In short, women-owned firms have disproportionately lower sales than men-owned firms throughout the economy.