

Human Capital and Women's Business Ownership

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Women entrepreneurs are among the fastest growing groups of business owners. The number of women starting and owning businesses increased dramatically over the last few decades. Furthermore, the types of businesses women tend to own are changing. An explanation for why women have emerged as an important entrepreneurial group and why they have moved beyond traditional sectors can be found in examinations of changes in women's human capital—especially their educational attainment and occupational representation.

Two implications of these changes are the increase and associated structural shifts in women's self-employment. As women have become better educated and as they have had the opportunity to follow a career, they have been able to develop not only their educational, but also their occupational and entrepreneurial skills and therefore become more prepared to enter self-employment.

The changes in women's educational and career attainment may, however, have multifaceted characteristics. Women might have increased their enrollment in college compared to men, but they may still differ in terms of the types of subjects in which they are enrolled. Additionally, women might not yet be as well represented as men in managerial and executive positions, which would prepare them for running their own business. Given these trends and issues, the authors of this paper are interested in the following research questions:

- What are the trends in human capital improvement for women?
- What is the relationship between various types of human capital and women's business ownership?
- How does the relationship between human capital and women's business ownership compare to other demographic groups?

Answering these questions will shed light on the relationship between different elements of human capital and self-employment among women.

Overall Findings

This analysis shows that self-employed women differ on most human capital variables compared to women who are wage and salary-earning earners. The study finds that self-employed women have more education and increased their educational attainment at a faster rate compared to other working women. The percentage of self-employed women in managerial occupations consistently exceeded the rate for other working women, and self-employed women participated in different industries than other working women. Self-employed women were also more likely to be self-employed in the previous year, were older than wage and salary-earning women, and had greater income diversity.

Self-employed men and women differ little in education, experience and preparedness—at least by the end of the study period. Important differences remain when considering occupational and industry experience. A lower percentage of self-employed women hold managerial occupations than do self-employed men, and there are lower rates of self-employment in industries where there is less overall female participation (such as communications, transportation, wholesale trade, manufacturing, and construction).

Highlights

- Self-employed women differ from wage and salary-earning women on most of the human capital variables that were examined; however, there is no strong association between such factors as age, cur-

rent earnings, education, and income diversity and self-employment among women.

- There is a strong association between 1) holding a managerial occupation and 2) industry sector participation and self-employment among women.

- Contrary to expectations, neither wage and salary-earning nor self-employed women significantly shifted industry participation over this portion of the study period. However, wage and salary-earning women were somewhat more likely than self-employed women to be in industries with the greatest degree of female ownership (primarily social services and education services). Self-employed women were more likely to be in industries with a medium presence of female ownership. This suggests, according to the authors, that self-employed women were branching out of industries traditionally associated with women.

- More self-employed men hold an advanced degree compared to self-employed women over the study period, but the gap narrowed considerably by 2006.

- Self-employed minorities were slightly more likely than self-employed whites to have a college degree throughout much of the study period. By 2006, the percentage of all self-employed groups by race and gender having a college degree were clustered around 22 to 23 percent.

- Earnings data show that the self-employed were most likely to be either in the first (lowest) or fourth (highest) quartile.

- High percentages of the self-employed were in the 40–49 and 50–59 age groups.

Scope and Methodology

This analysis uses data from the Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC) (formerly the Annual Demographic Supplement or March Supplement.) The CPS is a monthly survey of households conducted by the Bureau of Census for the Bureau of Labor Statistics that provides data on the labor force, employment, unemployment and persons not in the labor force.

The authors use CPS data to explore the relationships between entrepreneurship and the broader concept of human capital, including education, experience, and entrepreneurial preparedness measures, for three sub-samples of the CPS data from 1994 to 2006. First, they examine the effect of these factors

on women to determine if different levels of human capital are related to self-employed women compared to wage and salary-earning women. Second, comparisons are made between self-employed women and men on various human capital components. Finally, the authors broaden their analysis to determine how these relationships explain self-employment among minorities and whites, as defined within the CPS.

A series of cross tabulations are utilized to examine these relationships for each sub-sample over thirteen years to determine if there are changes that follow the trends we have discussed above and to determine if certain types of human capital are likely to affect self-employment differently among the three sub-samples. Finally, the authors conducted statistical tests of significance and strength of association between each variable and each category of self-employed.

This report was peer reviewed consistent with the Office of Advocacy's data quality guidelines. More information on this process can be obtained by contacting the director of economic research at advocacy@sba.gov or (202) 205-6533.

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