

WOMEN-OWNED BUSINESSES IN THE 21st CENTURY

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 report, 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), 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 report, 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.¹

This report 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.²

¹ The Appendix to this report presents more detailed information on the SBO, CPS and KFS used in this analysis as well other data sources on women-owned businesses, including the National Survey of Small Business Finance, the Survey of Consumer Finance and the Panel Study of Entrepreneurial Dynamics.

² The report does not look at the role of women-owned businesses in the Federal contracting process.

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 report. 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.

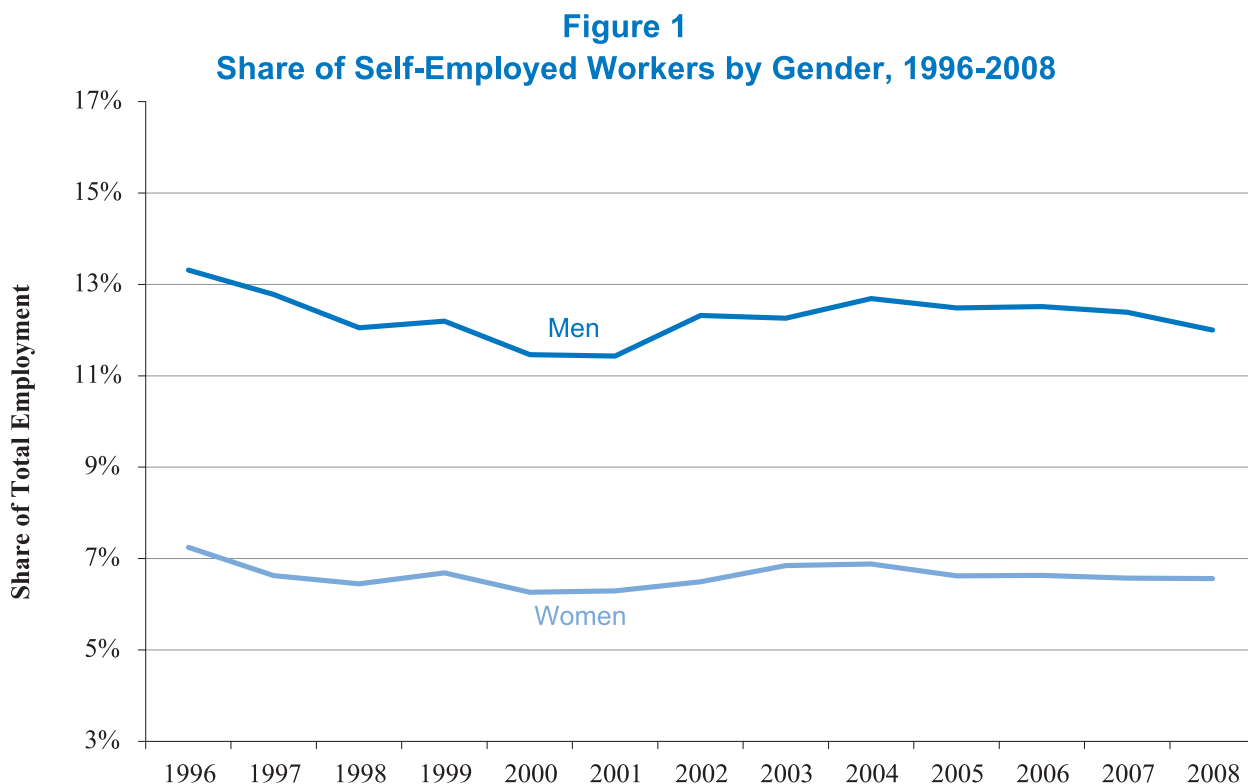
Self-Employment Rates

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.³ 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%.

³ Farmers also are not included in this analysis as the structure of self-employment in agriculture is different. Self-employment rates in agriculture are much higher, at around 45% (Georgellis and Wall, 2000).

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.

Business Ownership Rates

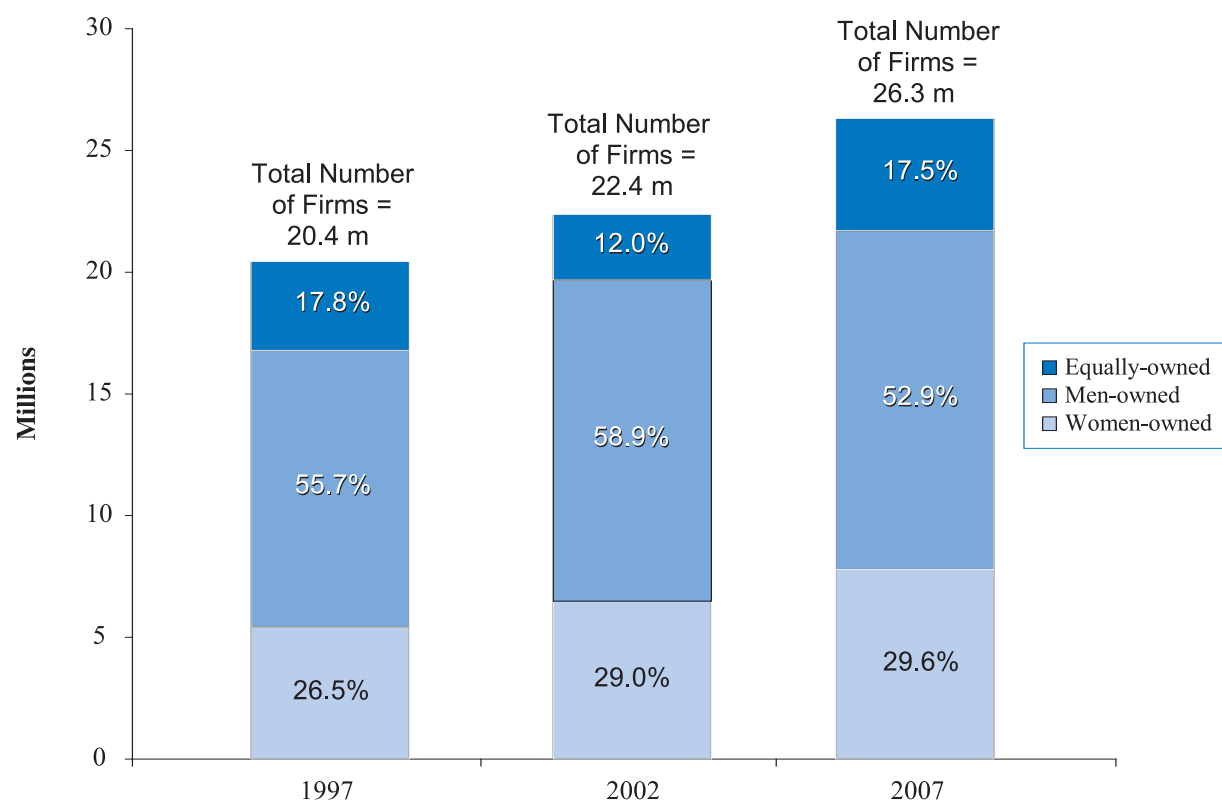
Turning from the self-employed to their businesses, the Survey of Business Owners (SBO) identifies the number of privately-held businesses. The SBO asks about the gender of owners and categorizes each business as women-owned, men-owned, or equally-owned.⁴ Firms that are jointly owned by married couples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

⁴ The SBO designates gender of ownership according to the gender of the individual or individuals owning 51 percent or more of the interest or stock of the business. Equally women- and men-owned firms report 50-percent female ownership and 50-percent male ownership of the interest or stock of the business. Some privately-owned firms in the SBO were not classifiable by gender of ownership and are excluded from all of our calculations. Also excluded from the SBO data are publicly-held corporations, foreign-owned firms, and not-for-profit firms.

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.

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

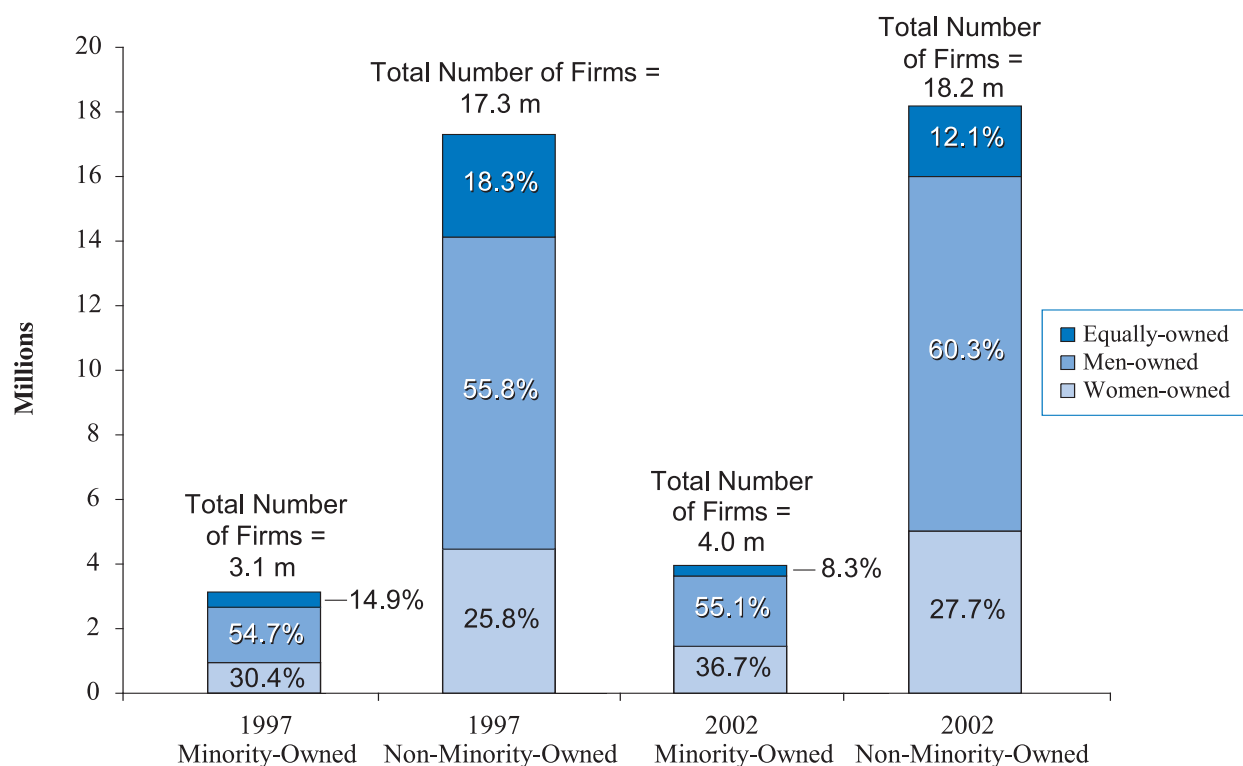


Sources: U.S. Census Bureau, *Survey of Business Owners, 2002 and 2007* and *Survey of Women-Owned Business Enterprises, 1997*.

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.

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



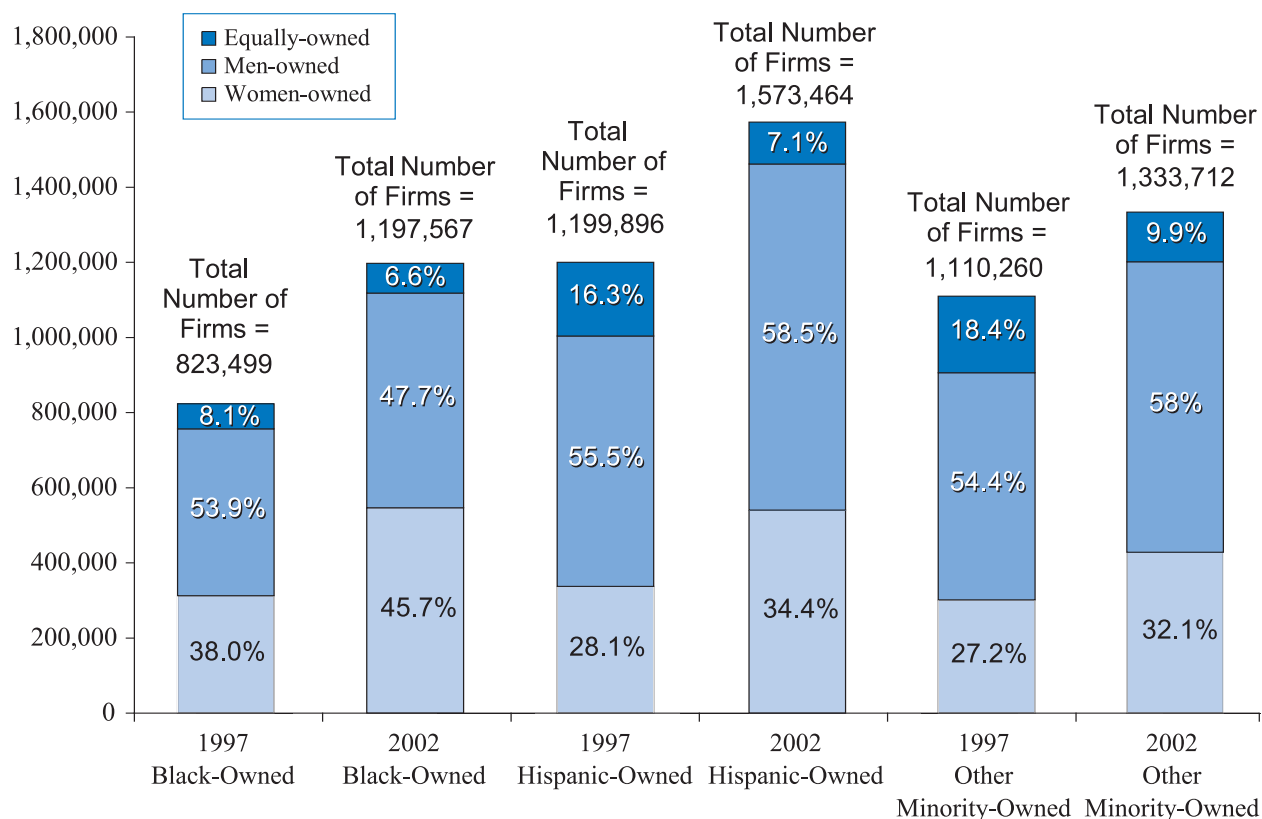
Sources: U.S. Census Bureau, *Survey of Minority-Owned Business Enterprises, 1997* and *Survey of Business Owners, 2002* (unpublished data).

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-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%.

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

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.⁵ 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.

⁵ The data discussed in this section come from Census Bureau business owner surveys that cover several years. The 2002 and 2007 estimates are from the SBO survey. Historical data are from an earlier survey, the Survey of Women-Owned Business Enterprises (SWOBE), which was conducted in 1982, 1987, 1992, and 1997. The data from SWOBE for 1982, 1987 and 1992 are largely comparable, but a number of key definitions changed in the 1997 survey.

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.

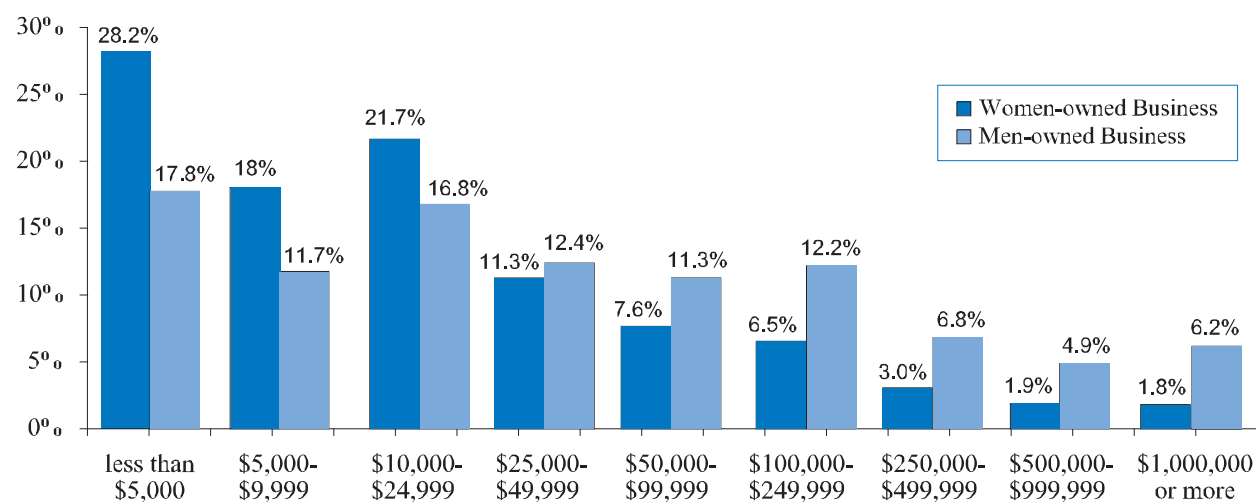
Table 1
Sales/Receipts of Privately-Owned Firms, by Gender

	Survey Year	Includes C-Corps	All Firms	Women-Owned Firms	Women-Owned share of all Firms	Men-Owned Firms	Men-Owned share of all Firms	Equally Men- and Women-Owned Firms	Equally Men- and Women-Owned share of all Firms
Total Number of Privately-Owned Firms	1982	No	12,060,000	2,613,000	21.7%	NA	—	NA	—
	1987	No	13,695,000	4,115,000	30.0%	NA	—	NA	—
	1992	No	17,253,000	5,889,000	34.1%	NA	—	NA	—
	1997	Yes	20,432,000	5,417,000	26.5%	11,374,000	55.7%	3,641,000	17.8%
	2002	Yes	22,367,000	6,489,000	29.0%	13,184,000	58.9%	2,693,000	12.0%
	2007	Yes	26,306,000	7,793,000	29.6%	13,911,000	52.9%	4,602,000	17.5%
Total Sales/Receipts (\$1,000)	1982	No	\$967,451,000	\$98,292,000	10.2%	NA	—	NA	—
	1987	No	\$1,994,808,000	\$278,138,000	13.9%	NA	—	NA	—
	1992	No	\$3,324,200,000	\$642,484,000	19.3%	NA	—	NA	—
	1997	Yes	\$8,397,924,000	\$818,669,000	9.7%	\$6,635,375,000	79.0%	\$943,881,000	11.2%
	2002	Yes	\$8,732,244,000	\$939,538,000	10.8%	\$7,061,027,000	80.9%	\$731,679,000	8.4%
	2007	Yes	\$10,988,005,000	\$1,192,781,000	10.9%	\$8,513,034,000	77.5%	\$1,282,190,000	11.7%
Average Sales/Receipts per Firm	1982	No	\$80,000	\$38,000	—	NA	—	NA	—
	1987	No	\$146,000	\$68,000	—	NA	—	NA	—
	1992	No	\$193,000	\$109,000	—	NA	—	NA	—
	1997	Yes	\$411,000	\$151,000	—	\$583,000	—	\$259,000	—
	2002	Yes	\$390,000	\$145,000	—	\$536,000	—	\$272,000	—
	2007	Yes	\$418,000	\$153,000	—	\$612,000	—	\$279,000	—

Sources: U.S. Census Bureau, *Survey of Business Owners, 2002 and 2007*; *Survey of Women-Owned Business Enterprises, 1982, 1987, 1992 and 1997*.

Note: 2007 estimates are preliminary. "All Firms" excludes publicly-held corporations, foreign-owned, not-for-profit firms and other firms not classified. Total reported under "All Firms" for 1997 to 2007 is the sum of women-owned, men-owned and equally-owned firms and may not match published Census totals for "All Firms." Estimates are not comparable between 1992 and 1997; the dashed line indicates a break in the series.

Figure 4
Distribution of Firms by Sales/Receipts Levels and Gender, 2002



Source: U.S. Census Bureau, *Survey of Business Owners, 2002*.

Note: Only firms with \$1,000 or more in sales/receipts are included.