WOMEN-OWNED BUSINESSES IN THE 21st CENTURY

EXECUTIVE SUMMARY

This report 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.

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.