

Demographic Characteristics of Business Owners

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At A Glance

The composition of U.S. business owners shifted slightly between 2007 and 2012. During this five-year period, the share of minority and Hispanic business owners had a moderate increase.¹ These changes largely reflect the growth of Hispanics and minorities in the overall U.S. population and workforce. Meanwhile, the participation rates in the labor force by women stabilized.²

Business owner characteristics and the economic and business environment are changing. Small business owners and entrepreneurs make important contributions to business creation and growth in America's economy. Understanding the characteristics of business owners and their businesses is important for measuring the economy's overall well-being. This *Issue Brief* examines the demographic composition of business owners in 2012 (during the economic recovery) as compared to 2007 (just preceding the Great Recession).

Demographics of Business Owners

Increase in minority and Hispanic business ownership. Minority and Hispanic business owners make up a small share of all U.S. business owners. However, their share has been on the rise. The rate of minority business ownership in 2012 was 14.6 percent, compared with 11.5 percent in 2007 (Figure 1). Black business owners made up 49.9 percent of all minority owners in 2012, while Asians made up 29.6 percent. The Hispanic share of all U.S. business owners was 10.3 percent in 2012, compared with 8.3 percent in 2007 (Figure 2). This increase reflects the fast growth of the Hispanic labor force, spurred by overall population growth and increased immigration.

Virtually no change in the share of women business owners. Women's share of business ownership is sizeable and stable. In 2012, 36.0 percent of business owners were women, similar to their 2007 share, 35.9 percent (Table 1). This reflects stabilization of their labor force participation rates.

1. This report uses the terms "minority" and "non-white" interchangeably. Consistent with the data definitions used, "minority" is defined as non-white racial minorities: Asians, blacks, and others.

2. Leila Bengali, Mary Daly, and Rob Valletta, "Will Labor Force Participation Bounce Back?" Federal Reserve Bank of San Francisco, FRBSF Economic Letter 2013-14, May 13, 2013. www.frbsf.org/economic-research/publications/economic-letter/2013/may/will-labor-force-participation-bounce-back.

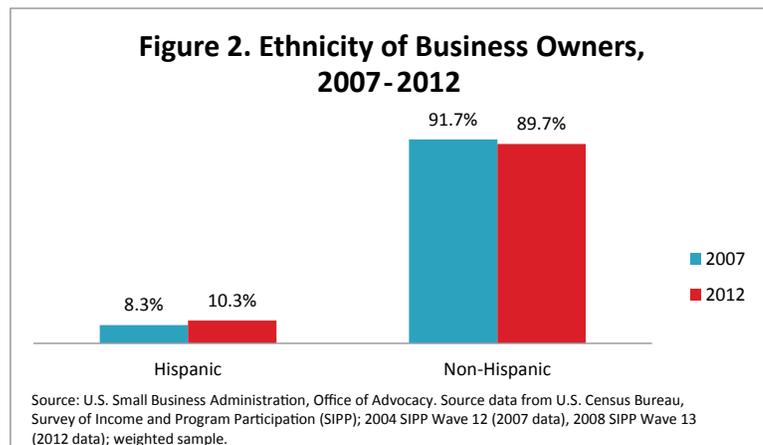
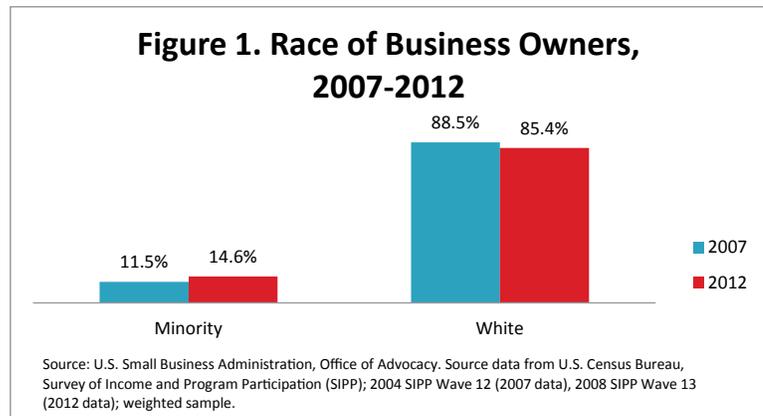
Share of business owners age 50 and over is increasing. Business owners tend to be older than non-business owners. In 2012, the age makeup of business owners was shifting toward the older age groups. Between 2007 and 2012, those 50 and over had an increase from 46 percent to 50.9 percent, the likely result of the Baby Boom cohort's aging past their prime working-age years.³ The proportion of owners age 35 to 49 decreased from 38.8 percent to 33.2 percent. This may reflect the unprecedented withdrawal of prime age workers from the labor market—a cyclical condition which could reverse as the labor market recovery solidifies. The share of younger business owners is holding steady. In 2012, 15.9 percent of business owners were under age 35, a slight increase from 15.2 percent in 2007.

Share of veteran business owners declined.⁴ The share of veteran business owners declined from 11.9 percent of all business owners in 2007 to 9.1 percent in 2012. While this decline coincides with the aging of the veteran and overall population, the veteran population is much older than the non-veteran population.⁵

Little change in marital status. In 2012, more than two-thirds of business owners (66.9 percent) were married. This compared to 68.6 percent in 2007. This may reflect the general decline in marriage in the general population.

Business owners more likely to have some college education. In 2012, 39 percent of business owners had a bachelor's degree and 32.9 percent had some college education. This compares to the 28.2 percent of business owners with a high school education in 2012.

Business owners more likely to be homeowners. As the single most important family asset, owning a home can be an important factor in business startup and growth. In 2012, the homeownership rate among business owners was 78.2 percent.



3. Ibid.

4. For more information about veteran business owners see U.S. Small Business Administration, Office of Advocacy, "Profile of Business Owners: More Young Veterans Appear to be Starting Businesses," Issue Brief Number 1, November 8, 2013. www.sba.gov/advocacy/847/757305.

5. U.S. Department of Veterans Affairs, "Profile of Veterans: 2009," prepared for the National Center for Veterans Analysis and Statistics, January 2011, www.va.gov/vetdata/docs/specialreports/profile_of_veterans_2009_final.pdf.

Most business owners are located in metropolitan areas. Business owners are more likely to be found in metropolitan areas. Over three-quarters of them are located there, and this share increased from 73.8 percent to 79.4 percent in 2012. This largely reflects ongoing migration of the U.S. population from rural to urban areas.

U.S. citizenship of business owners has changed little. About 93 percent of business owners are citizens, about the same as in 2007.

Table 1. Demographic Characteristics of Business Owners, 2007 and 2012 (percent)

	Change	Share of U.S. Business Owners		2007-2012 change
		2007	2012	
Age	Under 35 Years Old	15.2	15.9	0.7
	35 to 49 Years Old ¹	38.8	33.2	-5.6
	50 to 88 Years Old ¹	46.0	50.9	4.9
Gender	Male	64.1	64.0	-0.1
	Female	35.9	36.0	0.1
Race	White	88.5	85.4	-3.1
	Non-White	11.5	14.6	3.1
Ethnicity	Hispanic	8.3	10.3	2.0
	Non-Hispanic	91.7	89.7	-2.0
Veteran¹	Veteran ¹	11.9	9.1	-2.8
	Non-Veteran ¹	88.1	90.9	2.8
Marital Status	Married	68.6	66.9	-1.6
	Not Married	31.4	33.1	1.6
Education	High School or Less	29.6	28.2	-1.4
	Some College	32.9	32.8	-0.1
	Bachelor's or Higher	37.5	39.0	1.5
Citizenship	Citizen	93.4	92.3	-1.1
	Non-Citizen	6.6	7.7	1.1
Homeowner	Homeowner	79.9	78.2	-1.7
	Non-Homeowner	20.1	21.8	1.7
Location	Metro Location ¹	73.8	79.4	5.6
	Non-Metro Location ¹	22.5	16.6	-6.0
	Other Location	3.7	4.0	0.4

Source: U.S. Small Business Administration, Office of Advocacy, from U.S. Census Bureau, Survey of Income and Program Participation (SIPP) 2004 SIPP Wave 12 (2007 data), 2008 SIPP Wave 13 (2012 data).

1. Statistically significant to at least the 90 percent level.